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# The CREDITWORLD

Official Publication of the National Retail Credit Association  
National in Name---International in Scope

NOVEMBER, 1938 — Vol. XXVII, No. 2

## Cincinnati—"Queen City"

First named Fort Washington, later rechristened Cincinnati by Governor St. Clair of the Northwest Territory, after the Society of the Cincinnati, officers of the Revolutionary Army. It had the first bath tub, the first fire engine and the first professional baseball club in the U. S., and has the most beautiful Union Station in the world. It is the home of the Associated Retail Credit Grantors of Cincinnati.



Founded

In 1912

# Six Advertisements In This New "Pay Promptly" Campaign

Companion to the "Standard" Series

SIX NEW ADS:  
"Good Credit Is Your Magic Wand"  
"Prompt Payment of Bills Prevents 'Q. C.'"  
"Your Credit Record Is an Open Book"  
"Are You Haunted By Credit Worries?"  
"Is Your Credit Record Holding you Back?"  
(Shown at right)  
"Friends Talk About 'Q. C.' Too!"

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—Emerson

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MEMBER  
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NATIONAL RETAIL CREDIT ASSOCIATION

FOURTH FLOOR

1218 OLIVE STREET

SAINT LOUIS, MO.

# The CREDIT WORLD

(Registered U. S. Patent Office.)

Official Magazine of the NATIONAL RETAIL CREDIT ASSOCIATION

November, 1938

Vol. XXVII

No. 2

EDITORIAL AND EXECUTIVE OFFICES  
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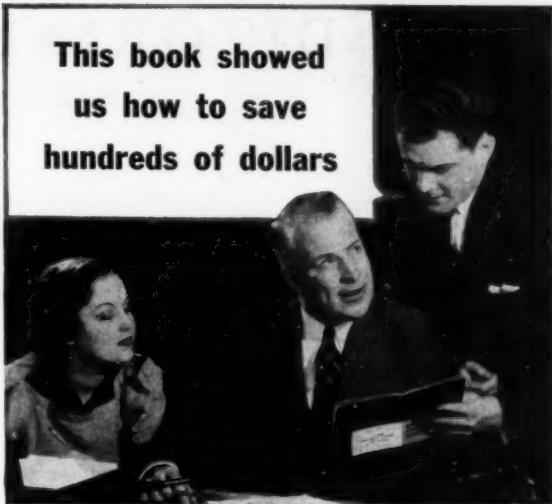
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This book showed  
us how to save  
hundreds of dollars



## How to cut bad debt losses in time payment selling

New free book tells six proved ways  
to control installment credit

Do you know the common installment credit situations in which bad debt losses occur? Do you know how you can materially reduce these losses?

"Controlled Installment Credit," by Dr. Clyde W. Phelps, tells clearly and definitely how you can cut bad debt losses by taking six simple steps. It tells how you can use tested principles of controlled installment credit to increase the net profits of your business.

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will learn the ways outstandingly successful retailers reduce these odds. Subjects covered include: how to select customers, how to establish sound terms, when follow-ups should be made, when delinquents should be suspended and when they should be helped, when you must act decisively to prevent serious losses.

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Please mail me free copy of "Controlled Installment Credit." This request places me under no obligation.

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Address.....

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# EDITORIAL COMMENT

By L. S. CROWDER



## For Greater Cooperation and Understanding

ON SEPTEMBER 28 last, in New York City, a joint committee representing the National Association of Credit Men and the National Retail Credit Association met for the discussion of matters on which both Associations might cooperate to mutual advantage.

It was the opinion of the committee that members of both associations might profitably cooperate in legislative matters, both state and national, such as assisting in the amending or passage of bad check laws, chattel mortgage and conditional sales contract laws, garnishment laws and other laws of interest to or affecting the credit profession.

It was further suggested that the Washington Representatives of the respective associations be furnished a list showing the Chairmen of the National and district legislative committees of both organizations, and that similar lists be sent to the executive heads of both associations. Also, that legislative meetings of the National Association of Credit Men be attended by a representative of the N. R. C. A. and the legislative meetings of the N. R. C. A. be attended by a representative of the National Association of Credit Men.

Considerable interest was expressed in the holding of joint meetings of local associations of both associations in the same or nearby cities, and that, where practicable, such meetings be held twice yearly and by all means at least once a year.

Another subject that created considerable interest was the possibility of coordinating the educational activities of the two organizations in places where the cooperation of the two associations might be of value. The joint committee recommended such cooperation and suggested that in many cities it might be feasible and desirable to hold some of the classes for members of the two organizations meeting together.

It was considered that courses in such subjects as Economics, Public Speaking and Business English, would be equally adaptable to the members of the two associations and that it would not be necessary to vary to any appreciable extent the material of such courses, in order to interest both groups of members. In credit and collection courses, it was felt that a certain amount of the material would be approached from a different viewpoint in the retail field from that of the wholesale field.

However, the thought was expressed that a larger part of the material covering the principles of credit would be pretty much alike. The joint committee recommended that the Directors of Education for the two associations communicate with each other, to see whether or not it would be advisable to further foster this cooperative educational activity.

In connection with the revised Bankruptcy Act, the suggestion was made that credit managers in both organizations might find it easier to impress upon debtors the desirability of debt amortization, since discharge in bankruptcies will be more difficult to secure than in the past.

The personnel of the committees on cooperation of the two associations follows:

### *National Association of Credit Men*

W. A. Bruckheiser, Thos. Royal & Company, Philadelphia, Pa.

H. W. Minchin, ReQua Electrical Supply Co. Inc., Rochester, N. Y.

E. E. Ogren, The Stanley Works, New Britain, Conn.

David A. Weir, National Association of Credit Men, New York, N. Y.

Henry H. Heimann, National Association of Credit Men, New York, N. Y.

### *National Retail Credit Association*

A. J. Kramer, Borden's Farm Products Co., New York, N. Y.

J. Gordon Ross, Rochester Gas & Electric Corp., Rochester, N. Y.

E. I. Amthor, L. Bamberger & Co., Newark, N. J.

F. W. Barton, Sawyer Lumber Co., Worcester, Mass.

Local associations of the National Retail Credit Association are urged to take the initiative in arranging joint meetings of their associations and the local wholesale credit associations. Much good can be accomplished in this manner in the way of creating better cooperation and a better understanding and fraternity between the two organizations.

*In union there is strength! Let's get together and pull together!*

# The "C's" of the Credit Executive

By LEO M. KARPELES\*

President, National Retail Credit Association; Secretary and Treasurer,  
Burger-Phillips Co., Birmingham, Ala.



THE "three C's of Credit" are an axiom known to credit granter and consumer alike. How many of us, however, have ever given thought to the multitude of "C's" applicable to ourselves? Without an examination of the dictionary, or a considerable study, one might set the same limit of three, and say "Capability, Co-operation, and Courtesy." To these could be added many: Co-ordination; Courage; Control; Confidence; Consistency; Candor; Complaisance; Compassion; Constraint; Consideration; Citizenship; and only Webster knows them all.

First, *Capability* as defined by Webster is intellectual attainment. Too often, in business or professional life, men and women are not only unsuited, but unfitted for their work. Many a square peg is set in a round hole, and a round peg in a square hole.

In our own profession, especially in years gone by, clerks and bookkeepers have been appointed as credit managers, with no regard to their personality, education or possibilities, but merely to fill the "job." Very few men reach the heights in their chosen fields without proper training and education.

Technical training is, of course, a necessity, and our National Association can well be proud of its educational efforts, the latest of which is the publication of its new textbook, *Retail Credit Fundamentals* by Dr. Clyde W. Phelps. Through credit classes in schools, colleges, Y. M. C. A.'s, and private groups, our assistants and office clerks are given an opportunity to study and prepare themselves for advancement and promotions. We, ourselves, regardless of our experience, must be alert to improved methods and policies; not willing, but *anxious*, to learn more and at the same time to impart to others the cumulation of our knowledge.

Second, "*Cooperation* is the act of working together," says Webster. Not many years back, our merchants were jealous of one another, refusing any interchange of credit experience. I have heard of cases where delinquent accounts were recommended; and good accounts underrated. The selfish merchant wanted to keep his good customers and to foist the bad ones upon his competitor.

How lucky most of us are today! With the increase and expanse of retail credit, we realize that we must require complete reports to intelligently handle our departments. In order to obtain such reports, we must cooperate by being willing to supply necessary information to our credit bureaus for other consumer credit granters, even though they be competitors. With the advance in interchange of information our merchants have materially reduced credit losses, and improved collections.

\*An address before The Associated Retail Credit Men of St. Louis, October 13, 1938.

Nothing finer has been accomplished by our National Association than the Community Credit Policies adopted in so many cities. In 1933, under the direction of Past President Leopold Meyer, we circulated a booklet entitled *A Symposium on Retail Credit*. Shortly thereafter, many Local Associations adopted Community Credit Policies, enabling the retailers to cooperate on such practices as credit terms, interest on past due accounts, carrying charges, down payments and length of deferred payment accounts, merchandise returns, methods of taking applications, date of monthly statement cut-off, etc.

Many may deem this effort a selfish one, but this concerted cooperation has been a boon to our merchants and their customers. Permit me to make just one personal reference. Our net income from interest charged on accounts over sixty days past due, at one-half of one per cent per month, amounted last year to over 2 per cent of our average outstanding accounts receivable, and our collection percentages improved from a range of 31 to 38 per cent prior to 1934 (before interest was charged), to 39 to 49 per cent since then.

Our firms are vitally interested in merchandise turnover, and we managers of credit sales are just as interested in the turnover on our accounts. Our firms are vitally interested in merchandise mark-downs, and we are just as interested in Profit and Loss accounts.

Only by cooperation through Pay Up Campaigns and Customer Education, can we hope to continue the improvements in collection percentages, and the reduction in credit losses. Our local associations must continue untiring efforts to maintain a high morale and unceasing co-operation.

Membership alone profits nothing. We should attend our local, District and National Conventions, participate in group credit and bankrupt meetings, facilitate the proper clearance of credit reports by obtaining necessary information on applications, and furnishing credit ratings and trade clearances speedily and accurately. Only by complete cooperation with our credit bureaus can we hope to benefit in turn.

Third, "*Courtesy* is politeness combined with kindness," Webster says. In this day of keen competition, no business could long exist were its employees not courteous in their contacts with its patrons. The manager of a store's accounts should be an executive in his demeanor, even in a small organization. It is, therefore, imperative not only that he be courteous to customers, but that *Courtesy* should be an example and should extend to employer and employee as well.

No individual in an organization can develop proper morale as can the credit executive through *Courtesy* to the

(Continued on page 23.)

# “So, You Are Going Into Bankruptcy?”

By WM. B. LAYTON

Member of Portland Bar, Portland, Ore.; Member of National Bankruptcy Conference

M R. BROWN,” said the credit executive, “our firm has sent for you, because we have made a rather liberal investment in you. We have granted many extensions of time for the payment of your account, and are a little inclined to believe that you have not fully appreciated our favors, or at least have to only a small degree reciprocated them.

“To be honest, you have a little of our money, and we want it, but we do not want it to such an extent that we are willing to jeopardize our friendly feelings toward you, nor to foreclose ourselves from being of assistance, if you will permit us. Therefore, I felt that a serious and man-to-man conference would be in order.”

“Mrs. Brown and myself,” replied the customer, “want you to know that we do appreciate your courtesies and favors, although we have not been able to give to you any substantial evidence of that appreciation. You have not acted as several of our creditors have acted. You have not harassed or threatened us, and we are accordingly led to believe that you still have some confidence that we will eventually meet the obligation that is justly due you.”

“However, you should hear our story so that you may judge for yourself the helpless situation in which we find ourselves. When your account was contracted I had just received a new job with a specialty manufacturing company. This job promised to be permanent, and my wages were substantially more than the wages paid me in former jobs.

“We did not owe a great deal of money, and, since we had deprived ourselves of things that we had long wanted, we felt safe in entering into obligations for the purchase of new furniture, and for the providing of things that we felt were reasonably within our means. Our debts were increased, but we were not alarmed. Suddenly the specialty manufacturing company was forced into bankruptcy, and almost without warning I lost my job.

“It has taken me all these months to find another job, and in the meantime I was without means to pay on my old debts, and was virtually reduced to the payment of cash for the family necessities. I now have another job. It does not pay nearly as much as the one I had with the specialty manufacturing company.

“The company for which I am now working has a rule that it will not keep in its employment any employee who has had his wages garnisheed. Many of our creditors, upon learning of the improvement in our financial condition, are threatening to issue garnishments on old debts which have long remained unpaid.

“We have been endeavoring to preserve the equity in the furniture which we purchased on conditional sales contract by meeting the payments provided for in the contract, but at times we have been unable to meet those payments in full, so that the contract is now delinquent. There are several claims in the hands of collectors and attorneys at the present time, and the other evening, when I was talking about our plight with one of my neighbors, he suggested that the only avenue open to me was to file

a petition in bankruptcy, and to obtain a discharge from my debts.

“He said that this was what the Bankruptcy Act was for; that he himself at one time had taken advantage of the Act, and recalled the names of several people whom we knew who had done likewise. I have talked the matter over with Mrs. Brown, and was about to consult with an attorney, when you called me to come in and see you. If I start in paying any creditor anything, my other creditors will be offended, and our difficulties will only become accentuated. To be just as honest with you as you have been with me, what would you do if you were placed in my position?”

“Mr. Brown, we sympathize with your position, but by way of preface, I might mention that it is not unlike the situation in which many people at times find themselves, and it is a tribute to their honor that only a small percentage of them seek an easy expedient to avoid the payment of their just debts. However, there have been such a number of surprise and, at times, frivolous bankruptcies instituted in this country, that the practice became a sort of national scandal.

“It is becoming more and more difficult for credit men like myself to judge those who are worthy of credit, and eliminate those who are not. As a consequence, the honest and well-meaning debtor who retained his obligations, and did the best he could to meet them, was in many ways being discriminated against. These factors largely contributed to an amendment to the National Bankruptcy Act, and, since you are thinking of bankruptcy, I am glad that an early opportunity has presented itself for me to talk with you about the new Bankruptcy Act.”

“I didn’t know there was a new Act,” said Mr. Brown, “and had decided that my attorney would handle all of the details of the proceedings. I have generally been assured that the procedure is simple and almost private, and that a discharge from my debts could be obtained at little expense and inconvenience to myself.”

“If it is your final decision to obtain a discharge from the payment of the debt that you owe us,” rejoined the credit manager, “then it becomes my duty to my firm to make a thorough investigation into your affairs, and, if just cause is found, to hold you responsible for the payment of our account. Also, it becomes my duty to our numerous customers, who are paying and acknowledging their liability for payment of our accounts, to see to it that they are all treated alike and with the same degree of fairness.

“I do not mention these things as any specific reason for deterring you in the seeking of your objective, but merely to let you know that the Bankruptcy Court is also a creditors’ court, and to incidentally let you know that there is a public interest involved in every bankruptcy. Creditors are expected to participate in the administration of bankrupts’ estates, and to exercise a control over the proceedings. As a member of the National Retail Credit Association, I am bound to cooperate in every way I can

with creditors whose interests are similar to our own, and to the end that we will be mutually protected."

"You have your job to do," said Mr. Brown, "but, after all, I have my wife and family to look after, and if others a great deal less worthy than I know myself to be have received the full benefits of bankruptcy, I know of no reason why those benefits should not be accorded to me.

"I don't like the stigma or even the thought of bankruptcy any more than the next fellow, but I don't believe that I am to be blamed if I adopt the lesser of all evils and take some step which may prevent me from becoming a public charge which I want you to believe I dislike, even more than the unpleasantness of bankruptcy."

"Your last statements," the credit man replied, "seem to me to have reduced our discussion to a place where we can talk of the practical aspects of bankruptcy. The new Bankruptcy Act provides an alternative, but the adoption of this alternative must be purely voluntary on your part. The provisions of the old Act remain substantially intact, but it is not as easy now to obtain a discharge from the payment of debts in an ordinary bankruptcy proceeding as heretofore may have been the rule.

"There were too many bankrupts who obtained discharges without formal examination. Now all bankrupts must be examined before they are qualified to apply for a discharge. In proper cases, the United States Attorney may be called in to examine into the acts and condition of bankrupts, and file objections and oppose the discharge of bankrupts if he finds probable grounds for so doing and if the public interest so warrants.

"In addition to the usual schedule of assets and liabilities which is filed by bankrupts, there must now be filed a statement of their affairs, and, if desirable, the creditors may appoint a committee of not less than three to consult and advise with the trustee regarding the administration of the estate, make recommendations, and submit to the court questions touching the administration of the estate. In proper cases this proceeding is strongly recommended.

"From this you can see the stigma you speak of has been made none the less real, and the ease you speak of in obtaining a discharge is a little more arduous than formerly. The philosophy behind these reforms is really to offer to prospective bankrupts an incentive to avail themselves of the provisions of *Chapter XIII* of the new Act which relates to wage earner plans."

"I would be glad to have you tell me about Chapter XIII."

"I will do this, in the sincere belief that you have an inherent desire to pay your debts, and that you will be able to do so if only given a reasonable opportunity. Briefly, the preliminary (and in court) proceedings may be outlined as follows: Give to me a list of all of your creditors, and authorize me to call a meeting of those creditors in the offices of the Association.

"You will be present with the Secretary of the Association, and together we will have as frank a discussion as we are now having. I fully believe as true all of the statements you have made to me, and am satisfied that the majority in number and amount of your creditors will believe likewise when they have been given the same opportunity to hear your story as I have had. You should then estimate what part of your present salary will be needed to take care of your current needs, and what part of it may

thereby be made amenable to be pro rated or used toward the payment of your present debts.

"Your creditors are really your partners, and it is reasonable to expect that they will agree to any reasonable division you may suggest. If the majority in number and amount so agree they will so assent. If it should happen that a minority of your creditors cannot be reached or do not agree, then you may file with the Court, in a proceeding in which you will be designated a 'debtor,' *not a bankrupt*, a petition in which you will signify your desire to effect a plan of composition, or obtain an extension of time to pay your debts, or both.

"In due course, notice will be given to your creditors, and they will assemble before the Referee. A poll of your creditors will then be taken, and if it is found that the majority in number and amount of them are in accord with your plan for composition or extension, then the composition or extension will become binding upon all of your creditors. You will assign to the Referee, or perhaps to the Secretary of the Association, if he is appointed to act, all of your future wages.

"We will have to work out some plan with your secured creditors, such as the creditor you mentioned who holds a conditional sales contract on your furniture. If you have an equity worth saving, payments on the contract will likely be accepted by that creditor to conform to your means. You will then be left free to pursue your affairs without molestation or separate proceedings by way of garnishment, or otherwise, being available to any of your creditors. If you meet the conditions of your plan, your discharge from your debts will be granted if the plan as assented to does not contemplate payment in full."

"What you say interests me very much," said the customer, "but supposing that I can't perform under the plan, or that circumstances may come up which make it impossible for me to meet the conditions of the plan, what will be my situation then?"

"My answer to you is that the plan may be modified from time to time to meet changing conditions, or you may then proceed to obtain an adjudication in bankruptcy and your discharge to the same intent and effect as you might have done in the first instance. It really seems to me, Mr. Brown, that a man in your situation has very much to gain by at least attempting an amortization of your debts under such a proceeding."

"I am agreeable to giving to you the list of creditors you suggest," said Mr. Brown, "and to authorizing you to call such a meeting. I fully believe that you have pointed out to me where my best interests lie, and I want to thank you for this conference."

\* \* \*

The meeting in the Association's office, as above suggested, was held. There were some creditors who could not be readily reached, but those consulted were convinced that it was to their best interests to give to Mr. Brown this opportunity. His plan was found fair, and was confirmed by the court. His secured creditors agreed to cooperate and, after several months' time, payments were made to the various creditors pro ratably as their interests appeared.

Mr. Brown showed substantial evidence of good faith, and a sincere willingness to cooperate. His wife met with

(Continued on page 31.)

# The Collection Letter-- And Its Possibilities

By FELIX E. HELD\*

Professor of Business Organization and Secretary of the College of Commerce and Administration  
Ohio State University, Columbus, Ohio

THE collection problem is the aftermath of credit extension which, in turn, is basically and historically a promotional effort. The theory of credit extension by retailers is sound. Its operation in many instances has evidently been unsound. Whatever the ideal situation might have been, the fact remains that, in many cases, neither party to a credit extension contract has in recent years fulfilled its obligation, and the result is the collection problem as we have it.

Granted all the past and considering merely the existing predicament, it is clear that retailers must use what means there are available to bring about collection of delinquent accounts. Such collection may be made in any one or more of several ways including personal call, telephone and correspondence. While the problem is intrinsically the same in all cases, there are variations in the methods for bringing about the desired results. In this particular discussion, we are interested only in collections by mail and I will therefore restrict myself to this particular case.

The first point to be considered is that which relates to the reasons for delinquency and, contrary to the usual treatment, I am giving as the chief cause for delinquency, the dilatory and unscientific methods of the seller. It is very evident that because of competition and an extreme desire not to lose or even offend a customer, retailers have been entirely too lax in their handling of delinquent accounts and, as a result, the purchasing public, realizing that additional time will be permitted, has fallen into a habit of non-payment even when prompt payment would be entirely possible.

Delinquency, therefore, because of negligence, is to be charged primarily to the behavior of retail merchants. This situation can no longer be corrected (as it might have been years ago) by the individual philosophy or policy of any single retailer, for it is pretty clear that if, in a given market, one or two retailers insist upon prompt payment and others in the same trade do not so insist, the former will be likely to lose trade to the latter. Therefore, cooperation and associative treatment of a problem becomes essential.

Attempts have been made, and with some success during the past years, on the part of groups of retailers, to rectify the situation, and it is to be hoped that a continuation of this effort will be forthcoming. If this can be generally brought about, then the first and primary cause for delinquency will be removed.

There are many causes for delinquency, however, which are attributable to the purchaser, and these have been so frequently treated that it will be unnecessary to repeat them here. We must face the present situation, and in our efforts to collect by mail, try to hit upon some form

of collection letter or letters which will tend to overcome the causes, whatever they may be, for delinquency in individual cases.

This raises the very pertinent question which, in my opinion, is basic to all direct mail efforts of collection: "How can a collection department assure itself that the appeals in its collection letters will be applicable to the individual delinquents?" In the answer to this question we will find at least a partial solution to the difficult and costly collection problem.

I have consulted with the credit and collection departments of many businesses and types of business, and I invariably ask this question: "In your collections by mail, do you use personal and individual letters, or form letters?" The answers have been almost equally divided in these two classes: The one group responds with this statement, "We find that the cases of our delinquent customers are so different that it requires personal letters to bring the best results." The other group responds just as naturally, "Our delinquents fall into a number of different groups and we use form letters applicable to these groups." This investigation would clearly indicate that collection managers are by no means in agreement as to the method for collection by mail.

To return to the question mentioned above, which we will call the question of applicability, there are several ways available to bring about by mail the result required. These vary in expensiveness and in relative economy of time, and likewise in their degree of effectiveness. It is assumed that those in charge of collections have at their disposal the history of each case from the time the charge account was opened until delinquency occurs, and that this history is complete and even detailed.

1. Beginning with the most expensive, both in time and money, one would say that if a collection department studies the credit history of each individual case and in attempting collection, dictates an individual letter to fit each case, the management may be pretty well assured that the appeal will be applicable to the delinquent.

2. If this treatment (as is generally conceded) involves too much expense and time, it is possible to secure reasonable applicability by grouping the delinquents according to causes of delinquency, such as unemployment, illness, inability to pay, negligence, dishonesty, and then writing collection letters, not to fit each individual, but rather to fit the individuals in each group. If the groupings are sound and the letters are applicable to the group, the result should be no less satisfactory than in case 1.

3. Groupings may be made according to credit ratings that is, the division of charge account customers into groups based upon information received when the account was opened. In such instances again, collection letters may be written, each one applicable to its particular group—

\*An address before the *First Institute of Credit*, Ohio State University, Columbus, Ohio, October 7 and 8, 1938.

high grade, medium grade and low grade charge account customers.

The greatest difficulty in this plan lies in the fact that credit departments frequently allow their customers to remain in the classification originally granted, and do not follow them with re-classification through their succeeding behavior stages. This is, of course, entirely unsound and unscientific, but is all too often the case—as I have had frequent experiences to prove.

4. There are those collection departments which use the same series of collection letters for all delinquents, irrespective of any group classifications, and this practice is not as undesirable nor inconsistent as may appear at first sight, provided the appeals in the set of letters are properly arranged. Collection appeals are many and varied and do not have the same origin nor yet the same purpose as what we ordinarily call "Sales Appeals."

If a collection department, which tries to make the appeals in its collection system apply to each individual delinquent, sets up a carefully prepared set of collection letters with a series of properly graduated appeals, the results should be as satisfactory as in any other case. The process involved is that of selection, or more properly, of elimination. It is evident to all of you that in the list of charge account customers there are many who merely wait for the monthly statement and pay their bills quite promptly without the need for any collection effort on the part of the selling organizations.

The itemized statement and it alone, therefore, eliminates from the list a large per cent of the total. The next printed statement or the first letter (depending upon the length and nature of the collection series in the organization) will again bring in a certain portion of the amount due and thus eliminate from the total list a number of delinquents. Those who pay at this time have been barely delinquent and have needed no great persuasion to pay their bills.

From this point on, the collection appeals should be carefully chosen in order that their force may increase gradually and definitely. Each succeeding letter convinces or converts some of the delinquents, and thus, when the collection series is approaching its close, there is a relatively small number of delinquents left, and hence the more urgent and drastic appeals are never received by the less culpable delinquents. Where this plan is utilized effectively, collection managers indicate that a ridiculously small per cent of the total charge account customers ever receive a threat letter.

A happy combination may be made between this last mentioned method of collection by elimination and the natural groupings based either upon causes for delinquency or upon credit ratings. Under such a plan, the series of collection letters is the same for all delinquents, and differentiation between them is made by varying the date of sending successive letters. To illustrate: If, for instance, it is known by the collection manager that certain delinquents at a given date are slow pay and neglectful, and that other delinquents at the same period are normally prompt paying and dependable, the successive collection letters may be sent to the former group at shorter intervals, while the latter group is given the same collection treatment over a longer period of time.

At this point it should be mentioned that retail organ-

izations and their collection departments fall into two main divisions with respect to their relative leniency or strictness toward delinquents. One group follows the philosophy that the securing of a charge account customer is an expensive accomplishment, and that once secured, the customer should be retained as long as possible and, therefore, offense or alienation should under no circumstances be risked. Such a philosophy results in a series of collection letters, including as many as a dozen, and covering a period of six months or even more.

The other position is that when a charge account customer fails to respond to a notice and two or three letters, either by paying, paying in part, or giving satisfactory explanation, such a customer is of no further credit value to the organization.

This philosophy results in a very short collection system, a notice or two and a couple of letters, after which the collection is forcibly made. I frankly confess that in theory my sympathies are with the latter point of view, though I realize—as has already been explained above—that in practice and under competitive conditions the plan is not ordinarily feasible.

There has been a great deal said and written recently about personalizing correspondence on the ground that letters have in the past been too formal and stereotyped, whereas, they should be more like a personal conversation. This point I am very willing to accept and support in the main.

But it should be noted that, in the collection problem, anything of a personal nature is dangerous and out of place in the early letters of a series. Those customers who pay shortly after the statement is rendered, and many of those who do not pay quite as early, may be and, indeed, I am convinced, are of a somewhat sensitive type. A mere notice or an exceedingly non-personal letter is all that is necessary to produce payment. A personal letter, one relating to this particular individual, may cause embarrassment and even offense.

It is only after normal means have failed and no response has been made to a general approach, that individual analysis or appeal to any degree is justifiable. Such stock appeals as "fairness," "fair play" and the like, should not be utilized at this early stage. This conclusion is applicable, be it understood, to credit and collection conditions as they now exist.

It now remains to discuss briefly the nature and content of individual collection letters, irrespective of the number of letters in a series, or of the collection policy of the firm. The collection function, like any other business activity, should be considered a cooperative one. The customer, though delinquent, is an essential part of the business clientele and, conversely, the store and its facilities are essential to the comfort of the customer.

Furthermore, the payment of a bill is not to be considered an advantage to the house and a disadvantage to the debtor, but if the case can be properly visualized, such payment is of advantage to both parties.

Accepting this statement, collection letters must be so couched that the receiver will always be conscious of the mutual relationship between the seller and buyer. This involves a difficult task and makes essential unusual tact, business judgment and human understanding on the part

(Continued on page 23.)

# The Mechanics of Collection

By R. A. HORTON

Director of Accounts, Gimbel Brothers, New York City

THE physical arrangement of a collection department, whether large or small, must enable you to "dun" a slightly delinquent account in an impersonal manner at a minimum of expense. At the same time it must bring to your attention all accounts requiring special attention because of delinquency or any other questionable condition.

At Gimbel's, we use a credit history record which is originally the customer's application for an account. It provides space for five years' ledger experience. All first-of-the-month balances are posted to this record and all payments are recorded daily. In a brief summary, all incoming correspondence and complaints are noted on the record as well as derogatory information, trade clearances and overlimit notices, at the time received.

All collection notices and summaries of correspondence are marked on this record, together with a record of all incoming and outgoing telephone messages. These records also show the current account rating.

I believe that for department stores a complete credit history record of every account is essential—regardless of its form, whether it be a card or in books. I am confident that the use of such a record enables us to be more liberal in extending credit because it provides the extra control which is necessary when extending open charge accounts to credit customers with limited financial backgrounds.

Our Credit Department, Authorizing Department and Collection Department systems are built around our credit history records.

I would like to refer to authorizing which we consider more a part of our Collection Department than its name would imply. I am thinking of the approval of small charges to accounts slightly delinquent as well as those more substantially in arrears.

Our credit history record, which is filed in the Authorizing Department, with its full information as to the character of the account, makes it very convenient for Refer Authorizers to have a letter sent to a customer acknowledging recent purchases and calling attention to the overdue balance. Such action either collects the amount due or is a very good stepping stone toward more definite collection procedure.

We transfer all accounts when any part of their balance is 5 months or more in arrears to what we call collection books. Our credit history records are physically transferred to these books. At this point, we realize one of the greatest benefits from this record. The Collection Interviewer knows without checking other files who the customer is, as well as our own and other stores' experience with that customer.

When an account is transferred to a collection book, the preliminary authorizing card is so coded and all saleschecks received on these accounts are sent directly to the Collection Interviewer, who aside from being responsible for all additional charges to accounts in these books, considers the time a delinquent customer buys an opportune one to

either phone, dictate or send a form letter concerning the condition of the account, even though in most instances the charges are approved.

As mentioned before, all accounts with any part of their balance 5 or more months in arrears are in the collection books but at the end of each month my analysis sheet shows that there is slightly more outstanding in these books under 5 months old than there is 5 months and over. The reason for this condition is that our dunning clerks who send out routine forms on accounts 2, 3 and 4 months in arrears are instructed to be on the lookout for accounts which are inherently prospective collection or P. & L. accounts. The following are the kinds of accounts they look for:

1. New accounts opened without previous credit experience.
2. Accounts that were previously in collection books.
3. Any account on which no payment has been received in 4 months.
4. Accounts on which derogatory information has been received.
5. Accounts making small partial payments in proportion to the amount due.
6. Accounts becoming past due when owing more than the limit assigned.

When these accounts are located, they are usually transferred to collection books immediately and receive personal attention regardless of how little past due the balance may be.

In this connection, I consider the proper handling of overlimit notices (which is customarily thought of as a credit function) as one of the best aids to the improvement of collections. In our office, one person handles all overlimit notices. We find that a good proportion of our overlimits are on accounts having a balance with some part of it in arrears which if paid would remove any possible concern.

This person has a series of form letters referring to current charges which we were pleased to approve but calling attention to the condition of the account. Although this person's main responsibility may be to avoid seriously overbought conditions, in actual practice we find that most of this work results in securing payments rather than in the shutting down of credit.

Another procedure that proves a definite aid toward reducing the number of unsatisfactory accounts has been our plan to write a letter to every account in our collection books as soon as it is paid. These customers receive a letter thanking them for their final payment and expressing the hope that the time permitted for settlement was of some assistance to them.

One letter requests a customer to see us before making further charges in which case the account is closed. Another letter acknowledges the final payment as in the first letter but goes on to express our wish that they will cooperate with us in the future by arranging for payment of bills in accordance with our regular terms.

In handling our established installment accounts as well as our new Credit Coupon accounts, we do not find it necessary to have a complete credit history record on every account as in the charge account section, since there is not a great volume of daily reference to these accounts.

Deferred Payment accounts are carried on National Cash Register bookkeeping cards and all dunning for the first 4 to 5 weeks is done from the original bookkeeping ledger card. The cards are filed in accordance with their due dates and are regularly dunned once a week. We find, in any group of deferred payment accounts which are 7 days delinquent, that the weekly routine dunning for one month reduces their number at the end of a month by 85 or 90 per cent.

On this remaining 10 to 15 per cent of the original delinquent group, we make up what may be described as a credit history or collection record. The original account papers are taken from the file whenever a collection card is made up and the essential information in regard to business, telephone numbers, references, etc. is transcribed.

In the Deferred Payment division, we also try to locate quickly those accounts which are prospective serious collection problems or possible P. & L. items. For example, the clerks who send out the routine weekly dunning the first 30 days of delinquency transfer certain types of accounts into the collection books 3 weeks after the first payment is due instead of waiting for the customary period of 5 weeks. These accounts are:

1. Those marked "no additional purchases," probably because the credit background was light at the time of opening the account.
2. Accounts that have a previous slow pay record.
3. Accounts which were granted terms of over 12 months in which to pay.

A final point which I would like to explain is the aging of collection accounts which we prepare monthly in both our regular Charge Account section and Deferred Payment division. This aging requires considerable time but we find it a definite asset as a means of spotlighting conditions in our office which may need special attention.

In aging the collection accounts, in either the Deferred Payment or Charge Account division, the entire balance on an account is classified according to the oldest portion due.

For example, a charge customer may owe \$50 as of December 31 and \$40 of this amount may have been for purchases in October, November and December, but if the remaining \$10 dates back to purchases made in August, the entire \$50 balance is entered on our analysis sheet in the column with balances dating back to purchases made in August.

If a Deferred Payment customer who owes \$70 as of December 31, and who was to have paid \$10 a month, should have omitted two payments, the entire \$70 balance will be entered in the column on our analysis sheet marked "two payments in arrears."

We also analyze the cash received each month on these collection accounts. This analysis is made by collection interviewers' sections, so that we have an accurate record of the results obtained by each interviewer and his collection percentage for each month. A weak spot is quickly detected and corrective action taken.

These figures make it possible for our personnel to work for tangible results rather than to work only against production records which record the number of notices that have been placed in the mails. This latter point is important because we have discovered that persons sending out fewer reminders are quite apt to have the best collection record as a result of having used better judgment in deciding the action to be taken.

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## Fifteenth Annual Convention of National Association of Sales Finance Companies

The fifteenth annual convention of the National Association of Sales Finance Companies will be held November 14 and 15 at the Stevens Hotel in Chicago. The place and dates represent a change from those originally announced as the meetings were first set for early October at French Lick Springs, Ind. All finance company men and their ladies are invited.

## Proof of Credit World's Value to Advertisers

### THE MORANTZ MERCANTILE AGENCY

A WORLD WIDE COLLECTION SERVICE

MEMBERSHIPS IN  
EVERY CITY IN THE UNITED  
STATES, CANADA AND  
GREAT BRITAIN

SUITE 210 GROSSMAN BUILDING  
840 MINNESOTA AVENUE

KANSAS CITY, KANSAS

Phone Drexel 8881

October 14, 1938

The Credit World  
1218 Olive  
St. Louis, Mo.

Gentlemen:

Please run in the November issue of the Credit World the same ad as the one that appeared in the September issue.

You will note that this ad offers to send "Proven Plans To Speed Collections and Timely Tips To Trim Office Overhead" on five days examination if desired.

It may interest you to know that every book, that has been ordered on approval to date through the ad in your magazine, has been kept and paid for.

Of course, we feel that purchasers are getting their money's worth when they buy "Proven Plans To Speed Collections and Timely Tips To Trim Office Overhead." We also feel that the readers of your magazine appear to be far above the average in that the "curiosity seeker" and the "coupon clipper" seem to be conspicuous by their absence.

And here is another fact that may interest you.

Our ad in The Credit World has been running every other month for nearly a year and the fact that while we have sold many books from the ad the second month after the ad appeared as we do the first month, proves that your magazine is kept and read and studied instead of being glanced at and discarded--the fate of many magazines of less intrinsic value.

Yours truly,  
DAVID MORANTZ

DAVID MORANTZ

Of significant value to advertisers is the fact that, as Mr. Morantz says, "the magazine is kept and read and studied instead of being glanced at and discarded--the fate of many magazines of less intrinsic value."

Rate card and statement of circulation will be gladly sent on request

National Retail Credit Association  
Executive Office St. Louis

# Advancing the Frontiers Of Credit Cooperation

By L. S. CROWDER\*

General Manager-Treasurer, National Retail Credit Association, Saint Louis

**A**DVANCING the frontiers of Credit Cooperation over a period of 25 years has been an interesting and worthwhile undertaking which has paid big dividends to the credit granters of the nation.

A quarter of a century ago, credit cooperation between retailers was negligible. Credit managers, with few exceptions, were not acquainted with fellow credit managers and it was contrary to the policies of most merchants to permit the exchange of information as to the paying habits of their customers. In those days there were few credit reporting agencies, most of which rendered only a mediocre service and it was usually necessary to make inquiry of a competitor to whom the applicant referred or take a chance in extending credit—and many chances were taken.

At the time our Association was founded—in 1912—there were only 69 credit reporting agencies, members of the National Association of Mercantile Agencies, and our Association in its first year had a membership of less than 300.

Meetings for the interchange of ideas and experiences and the discussion of slow paying and troublesome accounts were almost unheard of as very few cities could boast of a local retail credit association. At the present time, thousands of credit managers, members of hundreds of local associations, attend weekly, bi-weekly or monthly meetings for the discussion of problems of mutual interest.

Through these meetings and State, District and National conventions, credit managers and retailers have learned the value of cooperation and the importance of exchanging views pertaining to credit policies, credit department operations and credit problems.

The success of local associations depends upon the willingness of the merchants and other members to give freely and ungrudgingly of all information regarding their customers. Successful business teaches the inspiring sermon that no self-centered or selfish policy can long survive and the retailers have proved big enough to forget competition in credit matters.

Bettering credit conditions in the retail field has enlisted the support of nearly 15,000 retail credit granters, comprising the membership of the National Retail Credit Association in the United States, Canada, England, Australia and New Zealand. It may interest you to know that we have nearly 500 members in Canada alone.

Today, the credit fraternity stands as an *outstanding* example of cooperative achievement. Credit executives have gone more than half way in helping one another. Pooling their confidential information for the common good, they have established a mutual trust that has proved profitable to the retailers. "In union there is strength"

\*An address before the *First Institute of Credit*, Ohio State University, Columbus, Ohio, October 7 and 8, 1938.

has come true in organized credit as is indicated by results in organized cities.

Cooperation in the early years of our Association was limited due to the inability of its small and scattered membership to spread the gospel of cooperation and the advantages accruing to all participants. The number of credit bureaus had increased to 267 in 1921 at which time the National Association of Mercantile Agencies, meeting with our Association in annual convention at Houston, Texas, decided to affiliate with the National Association and became the Credit Service Exchange Division.

By 1934, at which time the Credit Bureaus became a separate organization (but still affiliated with the National Association), the membership had increased to more than 1,200, the result of the cooperative effort of its members and the educational work of the National Association and its field representatives. With the increase in membership came closer cooperation and improved efficiency, enabling the bureau members to render a highly satisfactory reporting service.

As the National and Credit Bureau memberships increased, credit classes were organized and thousands were taught the fundamentals of credit and the advantages of cooperation. In many cities Community Credit Policies were adopted with gratifying results. "Pay Promptly" advertising campaigns were developed and the consumer educated, through the newspaper and over the radio, to the importance of prompt payment of bills. These campaigns, conducted by local associations and Credit Bureaus for many years, have resulted in increased collections and a marked decrease in credit losses.

In 1928 the National Retail Credit Association persuaded Congress to appropriate \$25,000 with which to initiate the first Retail Credit Survey. Supported by the interest of the then Secretary of Commerce, Mr. Hoover, and his assistant, Dr. Julius Klein, and continuing through the present administration of Secretary Roper, the Retail Credit Survey has demonstrated its value to business men and bankers.

Through efforts of its members, the Association played a prominent part in bringing about the reduction of first class postage from three cents to two cents for local delivery. It sponsored a change in the postal laws so as to permit the return receipt of a registered letter or package to furnish the address at which the same was delivered, as well as the addressee's name.

When banks were failing in 1933 and financial skies were dark, retail credit executives, realizing the great importance to their customers of protecting bank deposits, successfully campaigned, through the National Retail Credit Association, for insurance to protect such deposits.

Wage-earner amortization, sponsored by the National Retail Credit Association, and represented in a series of

bills, commencing with the Lewis Bill of the 73rd Congress and culminating in Chapter XIII of the General Revision Bill approved June 22, 1938, is now a fact.

It represents a new conception of bankruptcy jurisprudence and affords an opportunity to the wage-earner to pay his debts from his wages or salary without being forced into bankruptcy by garnishments or attachments. Through the cooperation of the credit grantor, the consumer and the Court, it should prove successful in operation and based on results obtained at Birmingham, Alabama, through a liberal interpretation of former Section 74, should salvage many millions of dollars annually for retail credit granters.

Chapter XIII of the General Bankruptcy Revision Bill, devoted entirely to wage-earner amortization, is the result of years of untiring effort on the part of retail credit granters to enact into legislation an appropriate bankruptcy provision and is considered one of the outstanding legislative achievements of the National Retail Credit Association.

On September 28, last, in New York City, Committees on Cooperation, representing the National Association of Credit Men and the National Retail Credit Association, discussed ways and means to bring about closer cooperation between members of the respective associations and in other ways to improve credit conditions.

Typical of such cooperation was the luncheon of the retail and wholesale credit executives several years ago in the National Capital. The large attendance and the enthusiasm manifested would indicate the value of holding joint luncheons throughout the country. Such meetings promote good will and provide a forum for the discussion of mutual problems.

It is a recognized fact that any improvement in retail credit indirectly affects members of the National Association of Credit Men. The sale of wanted merchandise to the retailer creates an asset when resold, resulting not only in the return of the cost of the merchandise and operating expenses, but a profit as well. The reverse is true of the sale of merchandise to the consumer; a liability is created because payment must come out of income. Therefore, there should be the closest cooperation between members of both National Associations in the following:

1. National and State Legislation.
2. Education of the Consumer, the Retailer and Credit Personnel.
3. Joint meetings of local retail and wholesale associations.

In closing, I should like to congratulate Dr. Beckman and his associates and the Ohio State University for initiating a most successful "Institute on Credit" and to express the hope that this meeting will be the forerunner of others for the discussion of wholesale and retail credit problems.

### Position Wanted

**CREDIT MANAGER**—With 10 years' experience in department store work—desires change. Versed in all phases of department store credit work: Coupon, Charge and Budget Accounts. Married. Go anywhere. Address, Box 111, The CREDIT WORLD.

# The Barometer of Retail Business

## Sales and Collection Trends September, 1938, vs. September, 1937

Compiled by Research Division, National Retail Credit Association

Arthur H. Hert, Research Director

**C**REDIT sales decreased 5.1 per cent during September, collections 2.2 per cent and total sales 6.6 per cent, as compared with September, 1937. These decreases were again (for the sixth consecutive month) the result of unemployment and factories working only part time.

Small increases were noted in 29 cities in credit sales and 34 cities in total sales. Forty-nine of the 68 cities reported decreases in either collections, credit or total sales; while 15 cities reported decreases in *all three*.

High-lights of the monthly analysis are shown in the tables below:

### High-Lights for September

68 Cities reporting.  
23,595 Retail stores represented.

#### COLLECTIONS

45	Cities reported decreases.
2.2%	Was the average <u>decrease</u> for all cities.
18.0%	Was the greatest decrease (Lewis- ton, Ida.).
21	Cities reported increases.
7.0%	Was the greatest increase (Jack- sonville, Fla., and Sheridan, Wyo.)
2	Cities reported no change.

#### CREDIT SALES

35	Cities reported decreases.
5.1%	Was the average <u>decrease</u> for all cities.
37.6%	Was the greatest decrease (Provi- dence, R. I.).
29	Cities reported increases.
11.0%	Was the greatest increase (Fort Lauderdale, Fla.).
4	Cities reported no change.

#### TOTAL SALES

32	Cities reported decreases.
6.6%	Was the average <u>decrease</u> for all cities.
36.7%	Was the greatest decrease (Provi- dence, R. I.).
34	Cities reported increases.
12.0%	Was the greatest increase (Fort Lauderdale, Fla.).
2	Cities reported no change.

## Announcement!

"Across the Table" Chats on Collections and Installment Accounts

DURING the past ten years, credit extension on small accounts to people of limited credit has grown to such an extent that the cost of the detail involved has now become as great a problem as the granting of the original contract.

Manufacturing and distributing organizations that ten years ago would not have considered a small account business, depending entirely upon the dealers or wholesalers through whom they sold, are now financing the sales to the ultimate consumer made by those dealers. Department stores that heretofore catered to an exclusive clientele and felt that installment selling was unnecessary, have found that installment selling pays and is demanded by this exclusive trade.

An individual may be wealthy but still find it to his advantage to purchase a car or furnish a home on the deferred payment plan. Regardless of his financial condition it may not be convenient to make a purchase for which a thousand dollars or maybe three thousand dollars in cash is required.

The man who ten years ago borrowed amounts from \$500 to \$2,500 on a 90-day note thinks nothing of going to the Personal Loan Department of a bank on either security or on the basis of his earning capacity and obtaining a personal loan which he will pay back on a monthly payment plan.

This has all been brought about due to the changing attitude of the average citizen regarding not only the matter of borrowing money but borrowing it on the personal loan or installment plan.

As stated above, controlling of the mechanics of installment credit has become just as important as the granting of that credit and for this reason it has been decided to publish, in the next 12 issues of The CREDIT WORLD, interesting articles covering the following 12 subjects:

1. Opening your mind for the 85 per cent of accounts instead of closing it for the 15 per cent of accounts.
2. The main cost factors in collecting installment accounts.—R. E. BAYLIS, Toronto.
3. Installment accounting and straight line production.

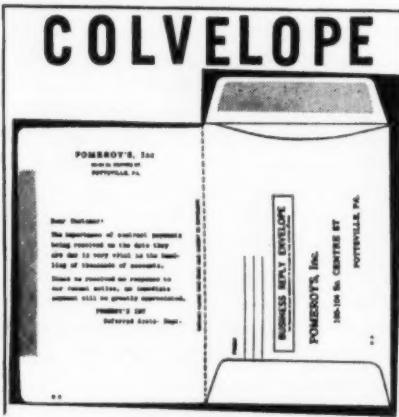
(Continued on page 20.)

## The Man Who Owes You Also Owes Many Others—When You Favor the Customer the Customer Favors You

Make it  
"EASIER FOR THE BORROWER TO PAY"  
USE

### COLVELOPE

Users of COLVELOPE include some of World's Largest Department Stores, Banks, Finance Companies, Leading Industrials selling on Installment Plan.



We are represented in all large cities.

COLVELOPE brings to you in one piece the three things necessary to secure the best results in collecting from delinquent accounts:

1. Notice—Plenty of room for an impersonalized printed message that will retain customer good will and obtain results.
2. Return Envelope—A proved method of speeding

up collections and securing reply; attached to notice, always ready for action.

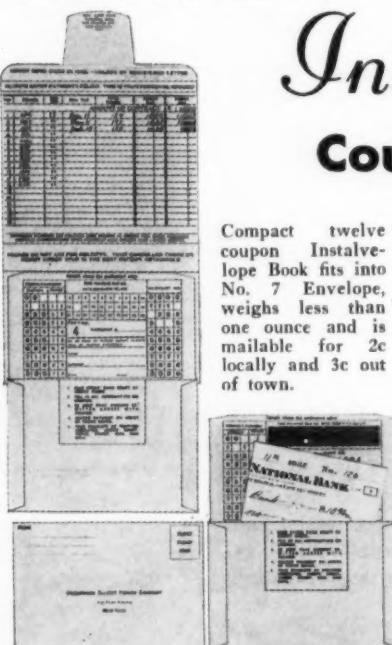
3. Clerical Labor Saving—At the peak hour of the day when needed most. No collating, stuffing, sealing or stamping.
- Postage saving, in addition to above, between \$10.00 and \$20.00 per thousand notices mailed.

### Instalvelope

#### Coupon Books

##### WHY?

1. Eliminates monthly notices and postage to return passbook.
2. Speeds up Collections.
3. Cuts down number of Delinquent notices—saving postage and Clerical Labor.
4. Extends a courtesy to Customer—making it easy to pay.
5. Enables you to advertise other products and departments.



INSTALVELOPE COUPON detached from Book with check inserted, ready for folding and sealing. A variety of standard types of coupon are available.

**WASSELL ORGANIZATION**  
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NEW YORK, N. Y.

# Davenport Has Largest Credit Class Using New "National" Textbook



Davenport's Credit Class

INTEREST in our new Credit Educational Course based on the new textbook, *Retail Credit Fundamentals*, which was written expressly for the National Retail Credit Association by Dr. Clyde Wm. Phelps of the University of Chattanooga, is widespread.

Already classes are under way in fifteen cities of the United States and Canada, as shown by the list below.

Davenport has the largest class to date (using our new textbook). Mr. Dean Ashby of M. L. Parker Co., who is conducting the course, writes:

"We were greatly pleased with the turnout we had at our first class, since we had an enrollment of 96 students and 93 of these were in attendance. We not only had registrations of 78 from Davenport, but also 4 from Rock Island, 5 from Moline, 6 from Maquoketa and 3 from Muscatine. Those from outside Davenport were very enthusiastic about the course and indicated that they would, no doubt, have additional registrations for the next class."

## Cities Using New Textbook!

DAVENPORT, IOWA	86
PORTLAND, OREGON	71
OKLAHOMA CITY, OKLAHOMA	70
DURHAM, NORTH CAROLINA	51
ST. LOUIS, MISSOURI	50
QUINCY, ILLINOIS	49
CEDAR RAPIDS, IOWA	45
PONTIAC, MICHIGAN	43
MEMPHIS, TENNESSEE	41
BATTLE CREEK, MICHIGAN	40
Victoria, B. C. (CANADA)	40
NEW ORLEANS, LOUISIANA	25
TORONTO, ONT. (CANADA)	25
SANTA BARBARA, CALIFORNIA	25
SOUTH BEND, INDIANA	25

## What Others Say!

"A great deal of enthusiasm has been aroused in Battle Creek regarding this credit school and consequently we are in need of more textbooks. Please send at your very earliest convenience five more copies."—R. W. MATTHEWS, Manager, Merchants Credit Bureau, Battle Creek, Mich.

\* \* \*

"The textual matter of the new book is most readable, highly factual, and calculated to stimulate independent thinking.

"The 'what, how and why' idea has been logically carried out with the definite purpose in mind of enabling the reader to understand the proper basic application of credit in its various office functions.

"The style is easy and fluent and offers no obstacle to rapid perusal. A careful study of the book will explain the basic reasons for every credit step and make it possible for the reader to adapt himself to any situation that might arise due to the various methods in operation in different stores."—F. W. WALTER, Credit Manager, Bailey Department Stores Co., Cleveland, Ohio; Chairman, Educational Committee.

\* \* \*

The complete course, covering fifteen lecture periods—providing a textbook for each student enrolled, final examination questions, and a certificate showing completion of the course issued by the National Retail Credit Association—is available to affiliated local retail credit associations—for use only in conducting credit classes where 25 or more students are enrolled, at the special price of \$2.25 per student. The regular price of the book alone, in single copies, is \$4.00. Write for information.

NATIONAL RETAIL CREDIT ASSOCIATION  
EXECUTIVE OFFICES

SAINT LOUIS

# A Tribute to Sherman L. Gilfillan

By MILTON J. SOLON  
Credit Manager, The Dayton Co., Minneapolis, Minn.

[[ Reprinted from *Your Retail Credit Ledger, Official* ]]  
Publication of the Retail Credit Association of Minneapolis]

ONE fine day in the summer of 1907, Mr. J. S. Mitchell, Secretary-Treasurer of L. S. Donaldson Company, brought a handsome fellow (probably in his late thirties) to the credit department and introduced him to me as "our new credit manager." From that very first day right up to the present, Mr. Gilfillan, or "Gil," as he is affectionately called, has been one of my closest friends.

He brought with him a wealth of experience from other lines—railroading, coal dealing, and public accounting. I recall one of his first remarks, "Let's learn this credit business together." How well he learned the credit business is well known in Minneapolis and throughout the United States.

Gil was always a dreamer! He dreamed a dream about a national association of retail credit men, and he saw it materialize in 1912, when, at the annual convention of Mercantile Agencies, the Retail Credit Men's National Association was born and he became its first president.

Unquestionably, Mr. Gilfillan obtained his inspiration from our local Credit Association which was organized in 1904, and he believed that co-operation in the credit field could be broadened and expanded to include all credit men and credit agencies of America. It was no easy task, and he succeeded only because he had vision and faith and the ability to master insurmountable obstacles.

The record of the accomplishments of the National Retail Credit Association is known to the entire credit fraternity and to the nation's business men as well. The organization and development of retail credit bureaus in every city and hamlet is only one of its many achievements.

When Mr. Gilfillan began his credit career, retail credit was in its infancy. Credit losses were heavy, and many merchants were reluctant to permit "charge accounts" to increase in number and volume.

How different it is today. The retail charge account has assumed a leading role in nearly every successful retail store. Credit is extended freely and with confidence, be-

cause merchants realize that it is on a safe and sound basis. Mr. Gilfillan's dream has come true!

Mr. Gilfillan resigned from the L. S. Donaldson Company, February 9, 1918, after completing more than ten years of successful credit management. During this period he had been able to show a marked improvement in turnover of receivables and a sharp reduction in credit losses.

He, with others, was instrumental in organizing the Minneapolis Morris Plan Company. I am not certain that he was ever truly happy in the banking business, but in any event we all felt fortunate when, in the fall of 1918, we induced Mr. Gilfillan to become Secretary-Treasurer and Manager of the Minneapolis Credit Exchange. Under his guidance and capable management, the Minneapolis Bureau has grown and developed until it now ranks among the foremost bureaus of the United States from the standpoint of both membership and service.

"Gil" has decided to retire and thereby prepare for a well-earned and perhaps much-needed rest. At a recent meeting of the directors of the Minneapolis Credit Exchange, his resignation was accepted, but only after futile efforts to dissuade him. To indicate their esteem, the directors voted him the title, "Director Emeritus."

Simultaneously with his inauguration as Manager of the Credit Exchange, Mr. Gilfillan was elected Secretary of the Retail Credit Association of Minneapolis. To go into detail sufficiently to expound his deeds and accomplishments in connection with his work in the Association would require a few extra pages. Personally, I cannot believe that any credit association was ever more favored in the personality of its Secretary.

"Gil" is a cooperator from start to finish, and he handled the multitudinous duties of both organizations like a past master. At the last meeting of the directors of the Retail Credit Association, the title of "Secretary Emeritus" was awarded him and he was elected to honorary membership in the Association. We have taken a great profit and have sustained a great loss. "Gil," we salute you!



Sherman L. Gilfillan

# Business Is Progressive-- Credit Should Not Stand Still!

By WM. E. GLASS

Secretary, Cottrell's (Men's Apparel), Denver, Colo.



**B**USINESS is progressive. Today there is nothing certain in business but—CHANGE. Business methods and business conditions are changing and progressing.

Change has been at work in every department of your business, the Selling Department, the Buying Department and now the Credit Department. Change has transformed practices which were once hallowed. It has made plans and methods of doing business, effective just a short time ago, out of date and in many instances unprofitable.

The Credit Man (and his department) is confronted today with this progressive change in business, and for retail credits to remain profitable they must meet these changing conditions.

With these new conditions, the retail credit man of today has an opportunity to render more real service to business than for many a year. Every morning when the sales manager, or other executive interested in sales, arrives at his desk one big question arises: "How can we make more sales?"

A few years ago this same sales manager would call a meeting of his advertising man, department managers, etc., to plan a sales campaign, and if the credit man had walked into that meeting, the sales manager would have looked up and asked: "What are you doing in here?"

But today—Progressive Business has learned that an up-to-date credit department, headed by a real progressive manager of credits, is a big factor in producing business—

Not by competing in credit terms—

Not by letting down the bars in credit extension—

*But—*

By adopting new terms of retail credit in keeping with the CHANGE in business conditions.

For many years retail credits were considered thirty-day accounts, and most stores, as well as most credit men, thought that was the only system that would ever endure in the retail business.

Today we find Wanamaker's of New York announcing a new plan in the *New York Times* of August 22, 1938. In a four-column full-length advertisement, they offer "WANAMAKER'S REVOLVING CREDIT."

What is Revolving Credit?

Quoting the *New York Times*, August 22, 1938:

"You need \$200 worth of going-back-to-school clothes for the children. You apply to Wanamaker's Credit Department.

"After verification of a few simple facts, we notify you that you may have the \$200 worth of school clothes (or whatever you want) right now. You are to pay us \$50 a month. And every month when you pay us \$50, you are entitled to \$50 more credit.

"That's where the 'revolving' part comes in. (The oftener you liquidate, the oftener you will be able to use your maximum credit of \$200 to iron out the purchasing peaks that may loom up.) 'Revolving Credit' gives you credit when you need it, and yet prevents you from overspending until you're 'caught up.'

*Again:*

In the *Chicago Tribune* of August 11, 1938, we see a four-column advertisement by HENRY C. LYTTON & SONS, better known as the HUB, announcing their new plan of ninety-day charge account as follows: One-third in 30 days;  $\frac{1}{3}$  in 60 days; and  $\frac{1}{3}$  in 90 days.

Other stores are doing the same thing. For example: Mullen & Bluett of Los Angeles, Cottrell's of Denver, and Kennedy's of the New England States.

It seems such plans as the above stores have are the answer to, "Can credits keep up with progressive business?"

Now let's shift the picture and see what else is expected of the credit man.

He is expected to:

- A. Be progressive and keep up with the change in business.
- B. Assist Sales Departments in producing more business.
- C. Construct and introduce new credit plans.

*But—*

1. Do all this on a good business basis.
2. See that collections are up to standard.
3. Still act as a balance wheel for good business.
4. Not be stampeded by over-enthusiastic sales executives, but resist excessive pressure and still advance with the business procession as it moves forward.

A credit man who can visualize the future and proceed accordingly is indeed the major executive in the business world. And he will be looked upon as one to be consulted in major matters.

And when the final curtain is drawn and day is done, a knock will be heard on the pearly gates of the Great Beyond. St. Peter in answering says: "Who is there?" The answer comes: "It is I, a progressive and modern retail credit man from the world below, who produced business, made the collections and helped build a great business."

"You are welcome," replies St. Peter. "We have reserved for you a very special place in Heaven, and here is a golden harp, strung to play music to the unsung heroes of the great business world below."

Next year's Convention offers an unparalleled opportunity to combine your vacation trip with the Convention trip, see the Golden Gate "World's Fair" and, at the same time, cover almost the entire United States on your rail trip.

## —The Nation's Collection Percentages--Sept.

- 1938 Figures not received at press time
- ★ Open and Installment accounts combined

<sup>®</sup>Installment  
<sup>®</sup>Furriers

## **2 Laundry**

<sup>4</sup>Plumbing  
<sup>5</sup>Lumber

<sup>6</sup>Paper and Paint  
<sup>7</sup>Fuel

## ICing and ICing and IC

## Forty-Nine Key Cities Cooperating with the Research Division

—September, 1938, *Versus* September, 1937—

## **• Cleaning and Dyeing • Carpet and Rug Cleaning**

<sup>13</sup>Grocery  
<sup>14</sup>Stationery, Office Supplies

<sup>15</sup>Florist  
<sup>16</sup>Hardware

**18 Dairy  
19 Drugs**

<sup>20</sup>Sporting Goods  
<sup>21</sup>Leather Goods

## 24 Electrical Supplies

111

...the United States and Canada...Contribute These Figures Monthly

# Wisconsin's Personal Receivership Act

By CLARENCE P. NETT  
Attorney at Law, Milwaukee, Wis.

THE economic and business conditions existing throughout this country have brought to the front, in the past years, the all important question to the business man: *"How can the wage earner meet his obligations under a plan which would be to the beneficial interest of both debtor and creditor?"*

For a great period of time, there has existed a condition whereby a wage earner has been confronted with the problem of meeting his obligations upon the demand of individual creditors who have harassed the employer and wage earner by instituting garnishment proceedings to enforce collection of their claims. These proceedings frequently resulted in the employer losing patience with the wage earner and discharging him, or the wage earner feeling compelled to foresake his job and seek employment in another jurisdiction.

Where the wage earner was able to command the funds necessary for the costs and expenses of bankruptcy proceedings, he would resort to the bankruptcy court to procure a discharge from his debts. Over fifty per cent of the bankruptcy cases had been instituted by wage earners, and the vast majority of such cases resulted from the pressure of wage attachments.

This situation brought about the necessity of some affirmative relief which, in the long run, would be beneficial to both wage earners and creditors. Realizing the problem which confronted the credit men of the state, the Wisconsin Legislature, on July 16, 1937, enacted *Section 128.21 of the Wisconsin Statutes, which is more formally known by the name of "Voluntary Proceedings by Wage Earners for Amortization of Debts,"* of the Personal Receivership Act.

## The Wisconsin Plan

Under the provisions of the Wisconsin Act, any wage earner whose income does not exceed \$2,400.00 a year may file a verified petition in the Circuit Court of his residence, stating that he is not able to meet his current debts as they mature, but is able to make regular future payments on his account sufficient to pay up his debts in full within a period of not more than two years.

Immediately upon payment of the \$10.00 filing fee and the filing of the petition, the court appoints a disinterested party as trustee. Thereupon the court enters an order enjoining creditors from proceeding in the collection of their claims by execution, attachment or garnishment during the pendency of the proceedings under this section.

After the appointment of the trustee, the debtor submits to him a list of his creditors and the respective amounts due each creditor. Thereupon, the trustee informs the creditors by written notice of a meeting to be held at which time and place arrangements are made for a workable plan under which the retirement of the wage earner's debts will be made within the two-year period of time allowed by the law.

At the creditors' meeting, the trustee is confronted with two types of claims, namely, secured and unsecured. Pay-

ments of the unsecured claims are divided equally over the two-year period, and remittances are then made at regular intervals. The secured claim is not considered on the same basis, since the law does not interfere with the rights which the secured creditor has by virtue of his contract.

However, in order for the wage earner to make payments required under the plan, in many instances it is necessary for the trustee to ask the secured creditors to reduce the payments from those required under their contracts, but in no event interfering with the rate of interest or the contract provisions entered into between the parties.

If a satisfactory arrangement cannot be made and the secured creditor does not agree with the plan, he may proceed on the security, but it is incumbent upon the secured creditor to serve a five-day notice upon the trustee of his intention to proceed on the security, and to inform the trustee of the place and manner of the proposed realization, the amount realized and by what amount his claim as listed under the plan shall be reduced.

Should the secured creditor proceed in this manner, there would be a serious question with reference to what deficiency judgment he could claim, in view of the fact that he has proceeded on his security and has not accepted the payment offered by the trustee. As a practical proposition, the secured creditors, realizing that their security cannot be affected, have cooperated with the trustee in accepting payments agreed upon under the plan instead of proceeding on their security.

Upon the recommendation of the trustee, the plan is then approved by the court, and if there are any objecting creditors, a date for hearing of such objections will be set by the court. Once the plan is approved by the court, the trustee makes regular monthly remittances.

In addition to the filing fee paid by the wage earner, he is required to pay the trustee an amount not exceeding seven per cent of the distribution where there is an assignment of wages to the trustee. In other cases, the trustee fee is ten per cent of the distribution. In addition thereto, the wage earner pays the cost of remitting checks and the expense of corresponding with the creditors.

Many creditors have realized that this plan is for their mutual benefit, and that the trustee appointed is a disinterested person who must act in their behalf as well as in the behalf of the wage earner and, therefore, they have readily cooperated when these plans are submitted for their approval.

The Statute further protects the creditor by providing that the debtor shall not be in default under this plan for a period of more than thirty days, and that the trustee may report the matter to the court with his recommendation as to whether or not the proceedings should be dismissed, and the court, if it is satisfied that the debtor is acting in good faith, may grant to the debtor another thirty-day extension.

Since the enactment of the Personal Receivership Act in Wisconsin, many wage earners in the County of Mil-

waukee have taken advantage of this proceeding rather than face the possibility of losing their jobs or taking the alternative of filing bankruptcy proceedings to discharge their debts. It is because of this act that many delinquent accounts which would have been marked off as a loss by various creditors are now being paid in full.

### The New Federal Act

That this problem was not a local one, in so far as the State of Wisconsin was concerned, is clearly shown by the recent enactment of the new national bankruptcy law, known as the Chandler Act. The signing by President Roosevelt, on June 22, of the Bankruptcy Act of 1938, climaxed years of persevering effort by the National Retail Credit Association and associated organizations to bring about the revision of the Bankruptcy Law to meet modern business and economic problems.

Therefore, throughout the country, wage earners in states which do not have special legislation with reference to the problem, can now seek affirmative relief under the provisions of this act which became effective as of September 22, 1938.

The Federal Act has fashioned a procedure which is simple and inexpensive and permits the wage earner, out of his future earnings, to adjust his debts with his unsecured creditors generally and with his secured creditors severally, upon the broadest terms. It excludes, however, debts secured by real property obviously for the reason that such debts cannot be feasibly liquidated out of future earnings.

Under the Federal Act, the wage earner means an individual who works for wages, salary or hire at the rate of compensation, which when added to all his other income, does not exceed \$3,600 a year. The filing fee required is \$15.00, and at the time of the hearing, an additional payment of not more than \$15.00 as indemnity for the referee's expenses.

The court in which the petition is filed has exclusive jurisdiction over the debtor and his property, wherever located, and over his future earnings for the duration of the plan. The court may also enjoin or stay until final decree the commencement or continuation of suits against the debtor, other than suits to enforce liens, and upon notice and for cause shown, enjoin or stay any act or the continuation of any proceedings to enforce a lien upon the debtor's property.

If a debtor has already filed his petition in bankruptcy, he may amend his petition so as to ask for relief under this act, which applies in either voluntary or involuntary proceedings. The petition which the debtor files states that the debtor is insolvent and unable to pay his debts as they mature and he desires to effect a composition or extension or both out of his future earnings or wages and, in some cases, the court may require the petitioner to file an indemnifying bond with or without sureties to protect the estate against loss during the period of the stay.

After the filing of the petition, the creditors shall receive at least ten days' written notice to them that a hearing will be held for the purpose of arriving at a plan for the retirement of the petitioner's debts. At the creditors' meeting, the judge or referee examines the debtor and hears witnesses on any matter relevant to the proceedings.

The debtor then submits his plan, and if the plan is accepted, the court appoints a trustee to receive and distribute, subject to the control of the court, all moneys to be paid under the plan. The trustee fee is to be the sum of five per cent of the amount distributed, and he is placed under bond for the protection of the wage earner and the creditors.

Under the provisions of the plan, the unsecured debts are to be dealt with on a parity and the secured debts, if dealt with, must be handled separately, and therefore, may be dealt with on different and any terms. They may be paid in full or scaled or modified in any respect as may be agreed upon by the debtor and the several secured creditors, and the secured creditors for their mutual interest may agree to *pro rata* among themselves the whole or a part of the periodical payments to be derived out of future earnings.

The act provides for dealing with unsecured debts generally upon any terms, and may include provisions dealing with secured debts severally upon any terms. It may provide for priority of payment during the extension period as between the secured and unsecured debts under this plan.

Where a plan has been accepted by all creditors, an application for its confirmation may be filed, but not before it has been accepted in writing by a majority in number and amount of all unsecured creditors whose claims have been approved and allowed before the conclusion of the meeting, and by the secured creditors whose claims are dealt with by the plan. The court shall then confirm the plan if it is satisfied the provisions of the chapter have been complied with, and that the plan is fair and equitable and for the best interest of the creditors and the debtor has acted in good faith.

### Binding Upon Debtor and Creditors

Upon confirmation of the plan, the same shall be binding upon the debtor and upon all creditors, whether or not they have filed their claims or their claims have been scheduled or allowed or are allowable. A secured creditor who has not consented to the plan may proceed against the security held by him, but he is restricted by such security.

For all other purposes, the underlying obligation is dischargeable. During the period of extension, the court retains jurisdiction of the debtor and his property for the purposes of the plan, and supervises and controls any agreement or assignment provided for in the plan in respect to the debtor's future earnings or wages.

When the debtor has complied with the provisions of the plan, and upon the completion of all payments thereunder, the court enters an order discharging him from all his debts and liabilities provided for by the plan.

If, at the expiration of three years after the confirmation of the plan, the debtor has not completed the payments, the court may nevertheless enter an order discharging him if upon application of the debtor and after hearing upon notice, the court is satisfied that the debtor's failure to complete his payments was due to circumstances for which he could not be justly held accountable.

Under the act, the court may issue necessary orders to effectuate the provisions of the plan, including orders against the employer of the debtor and such order may be

enforced in like manner as provided for the enforcement of judgments.

In other words, the court retains its exclusive jurisdiction over the debtor and his future earnings, until the plan is consummated or dismissed, or until the wage earner is otherwise discharged from his debts. For the effective enforcement of the provisions of the plan, the court is empowered to make orders upon an employer in regard to the future earnings of a wage earner who is dealt with in the plan.

The fundamental differences between the Federal Chandler Act and the Wisconsin Personal Receivership Act are set forth in the table opposite.

In comparing the two acts, it can readily be noted that the Wisconsin Act is more practicable in its application and less complicated in its procedure. In all respects, however, both acts tend to accomplish the aims of the credit men, namely, the retirement of delinquent accounts of wage earners.

\* \* \* \*

**INFORMATION:** Claims on file from September 1, 1937, to October 1, 1938, 141 cases. Average amount of cases \$500. Seventy-one cases or 50 per cent are being worked out or about \$35,000 worth of accounts being liquidated in full. If men were more experienced in handling these cases the percentage probably would have been higher.

## Fundamental Differences Between Federal Chandler Act and Wisconsin's Personal Receivership Act

### Wisconsin State Law

1. Petitioner to be a wage earner with an income not in excess of \$2,400 a year.
2. Requires filing fee of \$10.00.
3. Debts to be retired within two year period of time.
4. Trustee fee of 7 per cent in case of assignment of wages and 10 per cent in the event no assignment has been procured.
5. Secured claimants who desire to proceed on the security must give the trustee five days' notice of intention to proceed on the security and the amount realized on the sale and to what extent said claim is reduced, which reduced amount is listed under the plan.
6. Provides that those who do not consent to the plan be given a hearing and the court shall decide whether it will accept the recommendation of the trustee and accept the plan, regardless of the consent of certain individual creditors.
7. Provides that the trustee procure an assignment of wages but does not compel the employer to accept said assignment or comply with the provisions under the plan.

### Federal Chandler Act

1. Petitioner to be a wage earner with an income not in excess of \$3,600 a year.
2. Requires filing of \$15.00 and an additional fee of not more than \$15.00 to indemnify the referee for necessary costs.
3. No limitation is placed on period of time. However, there is a provision for dismissal within 3 years from the adoption of the plan.
4. Provides for trustee fee of 5 per cent.
5. Secured creditors who have not consented to the plan may proceed against the security held by them, but they are restricted to such security and the debt is discharged.
6. Provides that an application for confirmation of plan may only be heard after plan has been accepted in writing by a majority in number and amount of all unsecured creditors whose claims have been approved and allowed, and by the secured creditors whose claims are dealt with by the plan.
7. The court retains exclusive jurisdiction over the debtor and his future earnings and may issue the necessary orders to effectuate the provisions of the plan, including orders against any employer,

## "Across the Table" Chats on Collections and Installment Accounts

(Continued from page 12.)

4. Alphabetic filing *vs.* numeric filing.
5. Numeric filing *vs.* due date numeric filing.
6. Original and ultimate cost of passbooks.
7. Postage savings in collection work.—D. D. BOLEN, Des Moines, Iowa.
8. Eliminating collection correspondence—and clerical savings in collection work.
9. Who does your bookkeeping—*you or your customer?*
10. A delinquent account is not necessarily a bad account.
11. What pennies, nickels and dimes mean to your business.
12. Credit coupons and credit control.

While the main thoughts of these articles have been framed, should you desire to have us give you the answers to any specific points which might not be covered in the present draft of any of the above 12 subjects, we will be pleased to have you write us and we will pass the desired point on to the individual who will be responsible for the writing of that particular article.

These articles will be written by men whose positions in this particular field (in North America) are well established. Your suggestions upon the above subject will be appreciated.—THE EDITOR.

\* \* \*

*The San Francisco Convention offers an unparalleled opportunity to combine your 1939 vacation trip with the Convention trip, see the Golden Gate "World's Fair" and, at the same time, cover almost the entire United States on your rail trip.*

## Membership Prizes

(For Fiscal Year Ending May 31, 1939)

FOR membership work during the fiscal year ending May 31, 1939, we offer the following prizes to be awarded at the San Francisco Convention next June:

### Cash Prizes

Four prizes of \$25.00 each (to be applied on Convention expenses of the winners):

1. To the local chairman in a city of under 50,000 population reporting the greatest number of new National members.
2. To the local chairman in a city of 50,000 to 100,000 reporting the greatest number of new members.
3. To the local chairman in a city of 100,000 to 500,000 reporting the greatest number of new members.
4. To the local chairman in a city of over 500,000 reporting the greatest number of new National members.

In addition, there will be a cash prize of \$25.00 awarded to the State Chairman reporting the greatest number of new National members. Likewise, a cash prize of \$25.00 to the Regional Chairman whose region reports the greatest number of new National members. (These prizes are also to be applied against Convention expenses.)

### Pen and Pencil-Clock Sets

Two pen and pencil-clock sets will be awarded: One to the bureau manager with the most outstanding membership showing; and one to the credit executive with the most outstanding membership showing.

### Individual Prizes

A Parker Vacumatic Pen and Pencil Clock Set will be awarded to any individual member reporting fifteen (15) or more new National members. Each application must bear the name of member securing it or, if reported through a local association, his name must be shown in the letter.

### Gavels

Three gavels will be awarded, one each to the three (old) associations reporting the greatest number of new National members.

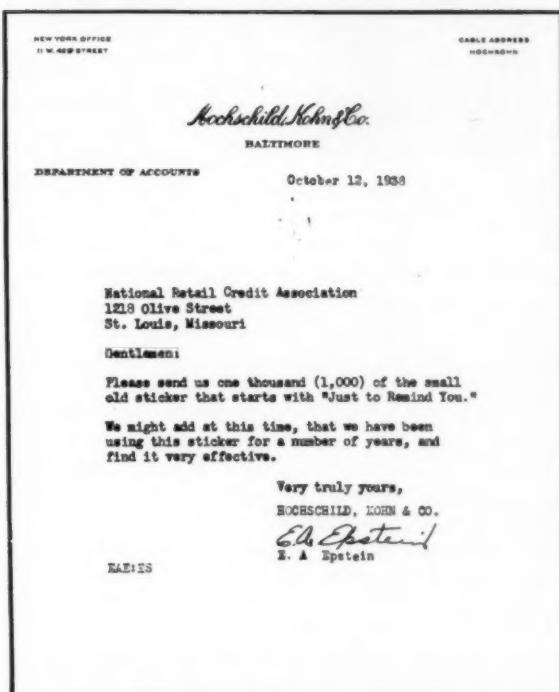
### Trophies

Trophies will be awarded:

1. To the largest local association in proportion to population.
2. To the largest association organized in the United States during the fiscal year ending May 31, 1939.
3. To the largest association organized in Canada during the fiscal year ending May 31, 1939.
4. To the association having the largest number of delegates in attendance at the San Francisco Convention.
5. To the local association whose delegates travel the greatest aggregate mileage to attend the San Francisco Convention.

P.S. See special membership offer on page 28.

## "For a Number of Years We Found This Sticker Effective"



### Here Is the Sticker

#### Mentioned In

#### Mr. Epstein's Letter

It is one of the old "Standard" series of stickers which we had discontinued.

But our members wouldn't let us discontinue them!



### And Here Is the Other "Stand-By"

There has been such a steady demand for these two stickers that we had to revive them and stock them because they are so successful. Price, \$2.00 per 1000.

National Retail Credit Association  
1218 Olive — St. Louis



# Funeral Purchases On the Installment Plan?

By ROBERT J. AMBRUSTER  
President, Robert J. Ambruster, Inc., Saint Louis

**I**N MY previous article, published in the June, 1938, issue of *The CREDIT WORLD*, I attempted to cover the credit side of the funeral business in a more or less general way and I have been asked to elaborate on that phase of it pertaining to installment payments.

The very nature of the funeral business makes the deferred payment plan extremely hazardous, much more so than any other ordinary business as anyone will readily realize when he considers certain factors. For example, when an automobile, a radio or any of the other numerous electrical and household appliances, a home, clothing or any of the other necessities of life are purchased on the deferred payment plan, they are usually utilities that the entire household will have the benefit of for several years or more and from which each member of the family will derive some particular benefit—which is perfectly obvious to each of them just as long as it is in use. As a consequence, everyone is interested in keeping them and seeing that the payments are kept up, knowing full well that in case of default the seller will recover them under his chattel mortgage, or contract of sale as the case might be.

A funeral director has no such advantage and no one would think of accepting or asking for a chattel mortgage on a casket. Assuming that he could legally recover it—which I question very much—it would represent only a fractional part of his investment in the particular funeral as most of his cost is represented by overhead charges, cash advances for cemeteries, clothing, newspaper notices, livery, etc., and certainly it would have no resale (or even salvage) value.

There are exceptions where installment payments are absolutely essential. Many of the older generation were definitely opposed to life insurance and even prejudiced against it for one reason or another. In some instances, they had superstitions about it. When in the evening of their life they are confronted with the inevitable fact that all must pass away, they find only too late that the cost of the funeral will be a burden to those who survive—a burden that has not been anticipated and no preparation made therefor.

Public sentiment, normal respect and affection of the relatives demand that a funeral be provided and a respectful and dignified interment of the remains be made in keeping with certain social standards. These people are more often than not very worthy citizens of more or less limited income that has already been budgeted to take care of some of the utilities referred to above, and the additional installments for the payment of funeral charges place a severe strain on their resources. For this reason, we always urge the utmost moderation in their expenditures.

Occasionally, we have a similar situation where our clients are in the higher income and social brackets and for one reason or another have made no provision for insurance against such a contingency as a funeral, and because of other previous commitments find it necessary to arrange deferred monthly payments. However, these are exceptions, as most everyone in this enlightened age carries sufficient life insurance to take care of his funeral requirements.

There is another class of our population which has made no provision for insurance, or, for reasons of economy, has had to cash in, or lapse policies previously held. These people are generally undesirable risks and frequently have very bad credit records with the Retail Credit Bureau, yet they would like to order an elaborate funeral which they intend to pay for on the installment plan.

An analysis of their income, as they give it to you, will soon lead you to the conclusion that they couldn't possibly meet the payments, regardless of how good their intentions might be. We have a base funeral price of one hundred and fifty dollars for a complete funeral service, including a respectable casket of dignified design, concrete burial vault and everything that we can anticipate in connection with their requirements. In these instances, we insist that our minimum service be accepted and that it be handled on a cash basis.

If, for any reason, they are unable to raise that amount of cash, we accept the funeral as a semi-charitable one and agree to give them a receipted bill for whatever amount of cash is available, thereby preserving their good-will against the time when they may need our services again under more favorable economic conditions. On occasion we have furnished the entire funeral without any charge whatever to those whom we considered worthy and knew that any payment would deprive them of some of the necessities of life. A funeral service rendered on the above charge is without profit to us, and were we to distribute a proportionate share of our overhead to it, would actually indicate a loss, assuming that we received the full price.

Sentiment being the fundamental factor of the necessity of having a funeral and such sentiment reaching its highest point between the hour of death and that of interment, which is at most only several days, the emotional desire to provide the utmost in funeral accessories frequently overshadows ordinary reasonable judgment and it is the progressive funeral director's policy to guard against the burdensome results of over-expenditures that will entail a hardship on those who must carry on. We believe our policy in this regard is a sound one, as we are frequently complimented on it by our clients and those of their friends who have been made aware of it.

We have in our files many very gracious letters that have been written us months after the need for our services arose, in which it is stated that our consideration at the time will always be gratefully appreciated. The reverse is sometimes true and I have in mind a recent situation in which a widow called at my office with a cash payment of \$150.00 and desired to select a funeral costing \$315.00, the balance to be paid monthly, in installments of \$10. She stated that she expected to go to work immediately and would have no difficulty in meeting the payments.

I attempted to sell her on the idea of accepting our \$150.00 service, thus avoiding any other obligation. She and her daughter seemed to appreciate and seriously consider the matter and said they would return home and let me know about it later. We heard nothing further from her, but saw the funeral advertised from the mortuary of one of our competitors who advertised for installment accounts.

Such situations arise from time to time and probably cost us a considerable amount of business in the course of each year, but, on the other hand, we do not have any pangs of conscience about accepting payments on such accounts as we do accept, because we know that the payments have not deprived our clients of any of the necessities of life.

Many funeral directors with whom I have discussed this subject disagree with me on the theory that the gross margin of profit in the funeral business provides plenty of leeway for installment losses, but I cannot subscribe to that theory as those losses necessarily penalize those of your clients who pay their bills promptly and place an additional burden upon your clients and a reflection on the business generally.

A very reputable funeral director of the previous generation once informed me that he still made money even though he sometimes sustained a loss of 20 per cent. Such a cockeyed theory may yet prevail in some places, but no one can survive on such a policy in these days of competition, rising taxes, increased payrolls and what not.

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## The Collection Letter—And Its Possibilities

(Continued from page 7.)

of the collection group, for though it is true that curt and unsympathetic collection letters tend to alienate customers, it must likewise be borne in mind that over-sympathetic letters and lack of firmness in their content tend to produce negligence.

And this fact introduces my chief bit of advice to credit departments. Both the credit extending and collection objectives should include what I might call a training or educational program. It is not sufficient, nor yet is it wise, merely to *urge* and later *compel* delinquents to pay.

The collection effort originates much farther back than that. All charge account customers should be *trained* into a prompt paying habit and I insist, as I said at the beginning of this paper, that business has been noticeably lax in this direction.

—

Twenty-Seventh Annual Convention, National Retail Credit Association—San Francisco, June 20-23, 1939. It's not too early to start making plans to attend!

## The "C's" of the Credit Executive

(Continued from page 3.)

buyers, sales-force and credit employees. The management of a business can gain the thorough cooperation of its entire personnel, and engender an ambition for *Capability*. Encouragement to the promotion and sales forces means greater efforts for more volume, and a sensibility that the Credit Department is keenly alert to the promotion of more and larger charge accounts, properly controlled.

I could stop with these three C's, *Capability*, *Cooperation*, and *Courtesy*, but I would not feel satisfied. For the past several years the subject receiving the greatest attention in retail credit circles has been "Credit Control." No one present could have avoided all the articles on this subject. I wish, however, to add one thought:

Have we, as individuals, exerted the proper control over our personal affairs, as to portray the fidelity we expect from others? The Director of our Community Chest requested that no solicitors, who had failed to make or pay previous pledges satisfactorily, be appointed next year. Look to your personal affairs, lest you be classed as a hypocrite!

Every credit executive should have *Courage* and, with it, vision. Courage of his convictions, as to either general policies or individual customers; courage to face his superiors with constructive suggestions and criticisms, thus becoming their peer; the courage to visualize the debtor's future, yea, the economic future as a whole.

Next, have *Confidence* and inspire confidence from others. By exercising the two C's, *Compassion* and *Consideration*, we build for ourselves and our firms, that confidence from the trade that elevates an ordinary business to an institution. Have confidence in your firm and its employees. Coordinate the duties and responsibilities of your assistants and department, thus engendering in them the qualities which will make them *Capable* and *Courteous* through whole-souled *Cooperation*.

The last item I will mention is *Citizenship*. It is not enough to be merely law-abiding, but we must be *civic-minded*! Many of our members belong to luncheon clubs, religious, fraternal and charitable institutions, which afford a vent for worth-while efforts. We have the privilege and opportunity of molding the character of our customers and employees. Let us rejoice in that freedom, enjoyed by us as by no other people in the world.

I trust that this alliteration has merited your consideration and that you will contemplate conscientiously some of the "C's" which I have mentioned.

## "Gold" Emblem Stickers

For Your Letters and Statements

Printed in royal blue on special "gold" gummed paper. Actual size is shown by dotted lines. Price, \$2.00 per thousand, postpaid.

NATIONAL RETAIL  
CREDIT ASSOCIATION

1218 Olive St. St. Louis, Mo.



# Credit Department Letters

## By Daniel J. Hannefin

THIS month, it is well to watch collections closely and to redouble your collection letter efforts so that you may get as many as possible of your accounts cleaned up before the holiday buying season begins.

Seasoned credit executives know from experience that the account that is paid up buys more freely and without fear of a credit turndown. It behooves you, then, if only to stimulate holiday sales, to get your accounts paid up during November.

Another nice feature about this plan is that it will give you more time during the holiday rush in which to handle routine credit matters. With the worry of collections out of the way, you can devote all your time to stimulating charge business.

There are many good appeals which you can use in letters for this purpose. For instance, you can tell your customers that "all our good customers are being asked to pay up their accounts this month so that we may have them in good condition for holiday season buying. Then, we can take care of your credit needs and O.K. your charges that much more quickly during the holiday rush—when every moment counts."

Or you can use another appeal: "Won't you please help us to help you during the holiday rush, by sending us a remittance for the enclosed statement now? It is our desire to bring all of our accounts to a current condition before the holiday season arrives. Frankly, we don't like the idea of sending collection letters during the Christmas season and we believe you will appreciate this senti-

### Seattle's Fall Meeting

The Seattle Retail Credit Association held its opening meeting of the fall season, September 26, with approximately 125 members and guests present. The principal speaker of the evening was Hon. Clarence D. Martin, Governor of the State of Washington, who spoke on proposed legislation and its effect on credit granters.

Carl Croson, prominent attorney and civic figure, also gave an address on "The New Bankruptcy Act." He brought out that the National Retail Credit Association has been fighting for years for a modification of the bankruptcy laws and was instrumental in securing passage of the Chandler Act in 1938.

This year's officers of the Association are: President, B. M. Shepard; Vice-President, Wells Huntley; Secretary, P. E. Wahlstrom; and Treasurer, C. K. Watkins. Directors: Howard C. Ericson; E. De Witt; D. C. Stansbery; and H. W. Woodford.

ment and agree with us. Your remittance for the amount on the enclosed statement will prove that you do."

Some good collection letters are shown on the opposite page. *Figure 1* is an excellent example of courteous collection letters. Note the clever phrase "because we feel it our responsibility to assist you in maintaining the very best credit record possible."

The letter in *Figure 2* was sent to us by Mr. Robert F. Edwards, with this comment:

"I am sending this collection letter, which has proved itself. While this letter is seasonal in its use, it has been very effective and has accomplished the desired result of any collection letter—to get the money (and keep the good will)."

The letter shown in *Figure 3* is a good will letter which comes in very appropriately at this time of the year. The Forman letter (*Figure 4*) is a good example of pre-Christmas collection letters. Please note how this letter "resells" credit policies and terms while stressing the Christmas appeal.

### Glass Wins Promotion

William E. Glass, Secretary, Cottrell Clothing Company, Denver, who has an article in this issue, has just been promoted to the position of Vice-President and Treasurer of his firm.

H. A. Rodecker, who was Vice-President of the firm, was elevated to the presidency to succeed the late George F. Cottrell, President and founder of the firm, who died last month.

### Another Boost for Credit World

"I have just received my October copy of *The CREDIT WORLD*. It seems to me this is the best issue that has been printed for some time. At least, the articles appearing impressed me more."

"I would like each one of my members to have a copy of this issue of *The CREDIT WORLD*. I am enclosing a list of my membership and if you would care to mail each of these people a *CREDIT WORLD* direct from St. Louis, I will appreciate it."—MILTON E. STONE, Manager, The Credit Bureau, Inc., Monte Vista, Colo.

Paul C. Kelly has been elected to the newly created post of Vice-President of the American Retail Federation.

### Position Wanted

CREDIT AND COLLECTION WORK—To the Bureau or firm willing to invest in me I offer a knowledge of accounting, credits and collections. Will prove myself industrious and an asset to your firm. Write Fred Berke, Stockville, Nebraska.

HOLLEY MOTOR COMPANY  
Dodge-Plymouth-Dodge Trucks  
TYLER, TEXAS

(1)

September 30 1938

Mr. L. A. James  
419 S. Moore  
Tyler, Texas

Dear Mr. James:

Your account of \$12.37 being slightly past due is called to your attention because we feel it our responsibility to assist you in maintaining the very best credit record possible.

Should there be any reason why payment has not been made, or will not be made soon, an explanation would protect your record.

Your reply is earnestly requested.

Thank you very much.

HOLLEY MOTOR COMPANY

*Wayne C. Noel*  
Wayne C. Noel, Credit Manager

WONEN

**Firestone**  
AUTO SUPPLY & SERVICE STORES



ERIES SPARK PLUGS TIRES BRAKE LINING - AUTO SUPP

Market Street and West Woodland Avenue  
YOUNGSTOWN, OHIO

(2)

A statement of your account, as of September 25th, in the amount of \$ has already been mailed to you.

I wish at this time to call your attention to the fact that our fiscal year closes on October 25th, as I feel confident you will want to cooperate with us by your usual prompt remittance.

May I take this opportunity to personally thank you for the business that you have given us this past year, and hope that our relations with you in the future will continue to be as pleasant as they have been in the past.

The efficient serving of all your automotive requirements is our objective and any suggestions or criticisms that you can give us will be greatly appreciated by the writer.

Yours very truly,  
FIRESTONE SERVICE STORES

Manager

FRANK T BUDGE PRESIDENT  
R. MAXWELL, VICE PRESIDENT

SPORTING GOODS:  
CUTLERY,  
FURNITURE.

**Frank T Budge Co.**

WHOLESALE AND RETAIL

**HARDWARE**

Miami, Fla.

A. H. BRADY, MICH. & SON INC.  
R. MAXWELL, TREASURER

HOUSE FURNISHINGS,  
MATERIALS,  
Etc.

January 6, 1938.

Mr. J. L. Sanders  
1836 S. W. 3rd Ave  
Miami Florida

Dear Mr. Sanders:-

As we look over our ledgers for the past year, we more fully realize the joys of being credit manager with a company where a great majority of the customers appreciate the privilege of a charge account.

Most of our customers send their remittances in so regularly, that there is no concern felt over these accounts at any time.

We just want you to know that we appreciate very much the promptness and regularity of your remittance.

In this the new year, may we extend our greetings for a happy and prosperous one, and trust that it will be our pleasure to continue to be of service to you.

Yours very truly

FRANK T BUDGE CO.

*Frank T. Budge*  
Credit Manager.

(3)

WONEN

**B FORMAN CO.**  
CLINTON AVENUE SOUTH  
ROCHESTER-NY

Mr. John Dow  
I Street  
Rush, New York

Dear Mr. Dow:

Soon we will be entering the busiest shopping period of the year. At Christmas time more than any other time, your account is a real asset to you.

When much shopping is to be done, everything counts. It would be helpful to us in giving you the kind of service we want to, especially at rush shopping periods, if you will cooperate with us in maintaining your account according to our thirty-day credit policy. Credit is extended, after all, simply as an accommodation and convenience, and payment is expected in full the month following purchases. When this is not done, your credit standing cannot help but be more or less impaired.

Your account shows purchases as follows:-

May	\$ 66.80
June	14.73
July	4.69
Aug.	6.92
Sept.	34.64
Total	\$127.81

In the interest of serving you better, now, and in the future, and also to protect your credit standing, we urge that you bring your account to up date now. You will---won't you?

LB PW

Sincerely yours,  
*Leonard Bury*  
Credit Manager



# Research In Retail Credit

By ARTHUR H. HERT\*

Secretary and Research Director, National Retail Credit Association

\*A paper presented before the First Institute of Credit, Ohio State University, Columbus, Ohio, October 7 and 8, 1938.

ONE of the main purposes of any credit study is to assist credit sales managers to analyze credit management so that certain wastes which now characterize our distribution system can be eliminated or reduced. Inasmuch as business success is a matter of judgment, it is vital that dependable factual guides replace guess work. The studies that have been made to date were designed to make some addition to the present field of knowledge on this subject.

The various types of organizations that gather periodically or have gathered retail credit data from time to time are:

1. Advertising agencies; 2. Individual stores; 3. Publishing companies; 4. Independent research and statistical organizations; 5. Banks; 6. Universities; 7. Government bureaus; 8. Insurance companies; 9. Finance companies; and 10. Associations.

Within the last ten years, there has been a noticeable growth in the number, variety and activity of trade associations and cooperative enterprises. Almost without exception these organizations have for one of their primary objects, the gathering of information which is intended to be mutually helpful to all members of the Association.

## Credit Research by National Associations

Some of the advantages enjoyed by national organizations like the National Retail Credit Association and the National Retail Dry Goods Association in their work of gathering credit information and data are:

1. The combined experience of all members of the Association is at the disposal of each individual member and because of a spirit of cooperation, each member is usually willing to spend time in answering questionnaires and in helping generally to aid any study fostered by an organization of which it is a part and in which it has confidence.
2. Each member, through the Association, is usually able to secure competitive statistics which otherwise might not be obtainable.
3. The studies of such an Association are usually helpful to the trade as a whole and are not colored by the peculiar interests of any one member.

Research in the field of retail credit cannot very well be compared with other types of research, such as industrial research. Retail credit research deals with people and the results can only be placed on paper and not visualized as in industrial research. We cannot take Mr. and Mrs. Average Consumer and place them under a microscope. We can, however, find out what he or she has done with respect to his or her credit and from these conclusions presume that the same will happen again in the future.

On the other hand, some credit research might be done in the mechanics of handling credits, such as office systems, etc., which can be visualized.

## Research Technique

No one trained in credit research can interview a retail credit executive with a preconceived notion of a plan of action for the study of a problem that the credit executive may have in mind. In order to find out what kind of immediate study is wanted by the executive, the research man must ask if he knows of any problem that calls for immediate attention by the trade in general, and not in his particular store. The business man must be made to do the thinking and not allow the research man to do the thinking for him. Suggestions might be desirable from the research man but not a preconceived plan of action presented in advance.

Material on the subject by other individuals or agencies should not be relied upon in the plan of action because the credit executive probably knows about that already. If he is a national figure, he has probably had a hand in the preparation and collecting of material by these agencies.

In the final analysis, the credit research men are only errand boys for collecting and interpreting data for credit sales executives. When interviewing the credit executive, the research man must use the following technique:

1. Take what, why, when, where, who and how attitude on every question or every statement that the credit executive makes.
2. Take receptive attitude with an unbiased open mind.
3. Find out whether or not the investigation promises to be economically profitable:
  - a. From short-time point of view
  - b. From long-time point of view
4. Whether the ultimate value of the information gathered will be greater than the cost of the investigation:
  - a. In money
  - b. In good will
  - c. In the useful contribution to knowledge for the benefit of the credit fraternity generally.

Here is what he should not do:

1. Have a cut and dried remedy for his ills.
2. Agree to undertake any problem that will take more time, money, and man power than can be provided.
3. Agree to work on a surface problem that would benefit one store only or the stores of a town, but to work on a problem involving basic tendencies that underlie the problem which in turn would benefit credit executives in the entire nation.

## Examples of Studies

Here are several examples of studies that have been made by personal investigation: The maximum amount of credit extension to people with various incomes and occupations has always been a problem for credit sales managers. When I was connected with the University of Texas Bureau of Business Research, I personally examined 27,670 open accounts in 23 department stores to find out the time taken to liquidate the highest amount of credit extended. These data were classified according to the occupations of the customers responsible for the accounts.

While the 27,670 accounts examined were only a sample, statistical tests for consistency and accuracy were applied to these data and the results were found to be within a certain percentage of tolerance, consequently the results could be relied upon. From the data gathered and presented in this monograph, it was concluded that:

1. The average highest amount of credit extended to a person will depend upon his occupation and his income.
2. The average length of time required to liquidate the average highest credit extended will vary according to the peculiarities of each occupation and the efforts made by each store to collect the accounts when due.
3. The average highest amount of credit extended and the average length of time required to liquidate will vary from store to store according to each store's policy of extending credit and demanding payment.
4. The average highest amount of credit extended and the average length of time required to liquidate will also vary from city to city, depending upon the economic conditions affecting each city.

5. The distribution of the total number of active accounts among the various groups in any city will depend on the nature of the industries in and surrounding the city in which the store is located, as well as the efforts made by the credit manager to obtain new accounts.

6. The percentage of the total number of accounts which is charged off to Profit and Loss may vary widely from store to store, depending upon the liberality of the store in granting credit, as well as the economic conditions in and surrounding the city in which the store is located.

Another example of a study made in the retail credit field is as follows:

Sometime ago, a credit bureau engaged the Bureau of Business Research at the University of Michigan to study its credit records in order to determine which of the facts that can be learned about applicants for retail credit were most valuable as indicators of credit risks. The Bureau selected at random a small sample of the records on file in the Bureau. This sample was analyzed, making use of tabulating machinery and Hollerith cards. The cards were punched to show the information contained in the credit records. They were sorted in various ways and from the card accounts, tables and charts were constructed which showed the relationship between credit experience and the various facts recorded.

From this study, the Bureau concluded that all the facts appearing on the records were of value as measures of credit risk, the most important credit indicators being occupation, permanency of residence and stability of employment. The Bureau then recommended that a larger sample be analyzed in order that the expected value of the various credit indicators might be more definitely established.

The third and final example to which I want to refer is a study of accounts charged off to profit and loss, by the Bureau of Business Research of the University of Texas.

Seventy-five retail stores in Texas submitted the names of 4,862 accounts charged off to profit and loss amounting to \$153,974. The Bureau was requested to find out, among other things, the reasons why the accounts were charged off to profit and loss; average income; percentage distribution by sex and marital status and percentage of accounts charged off by occupational groups.

Following are several of the seventeen conclusions arrived at from an analysis of the data:

1. Credit losses vary according to the occupational classifications of the credit risks.
2. Twenty per cent of the accounts charged off were classified as skips which is indicative of the fact that credit managers had not systematically demanded information in detail on applications where accounts were made.
3. Almost 50 per cent of all accounts charged to profit and loss were contracted by those who had no intention of paying their accounts in the first place, which is of sufficient significance to justify rigid scrutiny on the part of every credit manager into the credit records of all applicants for credit privileges.
4. Credit managers who customarily charge off accounts at the moment they become of questionable collectibility have a better chance to ultimately collect the questionable account than those credit men who permit their accounts to remain on the books indefinitely even though no payments are made or the efforts to collect the accounts proved unsuccessful.
5. Credit managers in some instances have not made the best use of their local Credit Bureaus nor have they employed the facilities of their Bureaus to the fullest extent.
6. Merchants seem to fail to profit by the experience of other merchants in granting credit. In a desire to increase their volume they continue to grant credit to people in certain occupational groups even though the trade in general have found that they are poor credit risks.

### Methods of Gathering Data

Gathering data through questionnaires is the method used in most credit studies; first, because it is simplest; and second, because it is the least expensive. Many valuable credit studies have been made through the use of this method. The Department of Commerce gathers most of the data for the annual credit surveys through the use of questionnaires, supplemented, of course, by the efforts of the personnel of their district offices. The data on credit trends, collections, credit and total sales which appear each month in *The CREDIT WORLD* are gathered through questionnaires by our Research Division. We also conduct our special studies in this manner.

The success of any study conducted by this method depends upon the number of replies received and the manner in which they have been filled out. Our Association has received excellent cooperation from the membership in answering questionnaires for special studies; however, during periods of business recession, members are not prone to

(Continued on page 30.)

# Credit News Flashes--

## Personal and Otherwise

### Honorary Chairmen of the San Francisco Convention Committees

Shown below are Mr. E. J. Dollard, Honorary Chairman, and Mr. A. Altenburg, Honorary Vice-Chairman of the San Francisco Convention Committees. Mr. Dollard has been Secretary and Credit Manager of O'Connor Moffat & Co., for more than 20 years.



*E. J. Dollard*

He has also been Chairman of the Board of Managers of the credit bureau (Retailers' Credit Association) for over 20 years. He is one of the organizers of our San Francisco local, the Associated Retail Credit Men of San Francisco, and is now Honorary President of that body. He is looked upon as the "Dean of Credit Men" in San Francisco and throughout California.

Mr. Altenburg has been Credit Manager of The White House (Raphael Weill & Co.), large San Francisco department store, for over a half-century, and has been a member of the Board of Managers of the credit bureau for over 20 years.

Mr. Altenburg is one of a group of eight persons belonging to the "Fifty-Year Club" of the White House, he having celebrated his fiftieth anniversary of employment with that organization in 1937!

Like Mr. Dollard, he has also been a member of The Associated Retail Credit Men of San Francisco for many years and he, too, is now an honorary member of that organization.



*A. Altenburg*

### Membership Blank

National Retail Credit Association  
1218 Olive St., St. Louis, Mo.

I hereby apply for one year's membership in your Association, subject to acceptance by you and by your recognized unit in this locality. I enclose \$5.00 which I understand entitles me to all the privileges of membership, including a year's subscription to "The Credit World."

Name.....

Title.....

Firm.....

Business.....

Address.....

City ..... State .....

Recommended By.....

### Petroleum Credit Executives Meet

Thirty-seven credit executives, most of them the top credit men for their companies, have just closed a most successful conference at Indianapolis—the Annual Fall Conference of the Petroleum Refiners' division of the National Association of Credit Men—October 24, 25, and 26. Many of these credit executives are also members of the Petroleum Group of the National Retail Credit Association.

Features of the conference were the release of the National Credit Card Survey, an address by Frank T. Caldwell, General Manager of the Associated Credit Bureaus of America, Inc., and an address on "The Chandler Act" by Hon. Carl Wilde, Referee in Bankruptcy, Indianapolis. The Banquet Speaker was Henry H. Heimann, Executive Manager, National Association of Credit Men, New York City, whose subject was "How Long Recovery?"

New officers for the coming year are: B. W. Atwood, Shell Union Oil Co., New York City, Chairman of the Board of Governors; H. E. Butcher, Cities Service Oil Co., Chicago, Vice-Chairman; A. A. Hock, Associated Oil Co., San Francisco, Vice-Chairman; H. L. Blankenship, Barnsdall Refining Co., Tulsa, Vice-Chairman; and R. A. Colliton, National Association of Credit Men, St. Louis, Secretary-Treasurer.

Other members of the Board are H. S. Barnes, Continental Oil Co., Fort Worth; L. W. Bernhard, Standard Oil Co. of N. J., New York City; H. L. Hampton, The Texas Co., Chicago; H. H. Hartline, Standard Oil Co. of Calif., San Francisco; R. R. McCoy, Gulf Oil Corp., Pittsburgh; R. E. Neeley, Freedom Oil Works Co., Freedom, Pa.; R. C. Ward, Sun Oil Co., Toledo; and E. R. Siler, Socony-Vacuum Oil Co., Inc., St. Louis.

### Special Membership Offer (November 15 to December 15)

This beautiful electric clock will be presented to any member personally securing and reporting 10 or more new National members during the period of November



15—December 15, 1938. Clocks will be awarded in time to be presented as a Christmas gift to wife, mother or a friend.

### Tulsa Celebrates 25th Anniversary

The Retail Merchants Association and the Associated Retail Credit Men of Tulsa celebrated their 25th anniversary with a Silver Anniversary Banquet, October 11. The feature of the evening was the presentation of an elaborate silver tea set to Mr. and Mrs. W. A. Rayson in honor of twenty-five years' service. Mr. Rayson has just completed his 25th year as Secretary-Manager. His son, J. C. Rayson, is Manager of the credit bureau (The Credit Service Exchange of Tulsa) and is also Secretary of the Associated Retail Credit Men.

\* \* \*

The Calgary Retail Credit Grantors Association of Calgary, Alberta (Canada), held "Calgary Credit Week" during the week of October 17-23. This was started off with full-page newspaper advertisements in the preceding Saturday's papers.

\* \* \*

The Galveston *Daily News*, Galveston, Texas, devoted a page of its Sunday Edition, October 16, to a story of the workings of the Galveston Merchants Association. This was elaborately illustrated with photographs taken at the bureau and should prove good publicity.

\* \* \*

Adolf Grasso's Credit Bureau, The San Antonio Retail Merchants Association, was given a full-page write-up in the *San Antonio Express*, in its Sunday Edition, October 2. This was profusely illustrated with photographs showing the credit bureau in actual operation.

\* \* \*

### New York Credit Women Elect

The Credit Women's Breakfast Club of New York City, at its annual meeting October 10, elected the following officers: President, Miss Jennie C. Connolly, Mark Cross Co.; First Vice-President, Miss Blanche Adler; Second Vice-President, Miss Doris Campbell, B. Altman & Co.; Treasurer, Miss Anne V. McCann, T. A. & L. F. Newman; Assistant Treasurer, Miss Helen Haynes, Abraham & Straus, Inc.; Secretary, Miss Margaret Trotta, A. R. C. M. Adjustment Bureau; and Assistant Secretary, Miss Rose Graap, Credit Bureau of Greater New York.

\* \* \*

### Pittsburgh's Credit Women Organize

The Pittsburgh Credit Women's Breakfast Club was organized Octo-

ber 20, with more than 150 present. The following officers were elected:

President, Margaret M. Barton, C. A. Verner Co.; Vice-President, Kathryn Hay, Joseph Horne Co.; and Secretary-Treasurer, Betty Blahut, The Credit Bureau.

\* \* \*

### Des Moines Credit Women Elect

The newly organized Des Moines Credit Women's Breakfast Club at its meeting October 11 elected the following:

President, Oda Wyland, American Institute of Business; Vice-President, Lenore Soderlund, S. Joseph & Sons; Secretary, Maye Lemmon, Patterson Dental Supply Co.; and Treasurer, Fern Borg, Credit Reference and Reporting Co.

There were 73 in attendance at this, their second meeting.

### Steubenville Credit Women's Breakfast Club Celebrates First Anniversary

In celebration of its first anniversary, the Credit Women's Breakfast Club of Steubenville (Ohio) was host at a banquet given in honor of visiting delegates to the Ohio and West Virginia Credit Bureau Managers meeting, September 19. The event was attended by 235 local members of the credit bureau, credit men and women, and employees of the credit departments of various member stores. The principal speaker was Professor Felix E. Held of Ohio State University, whose subject was "Collections, Aftermath of Credit."

\* \* \*

### A Correction

Through an error, we transposed the pictures of Walter V. Howe and Joseph E. Noonan in the San Francisco



WALTER V. HOWE  
Finance Committee



JOSEPH E. NOONAN  
Hotel Reservations  
Committee

Convention Committee's Page in the October CREDIT WORLD. They are shown here properly labeled.

### Credit Managers

Here is the perfect Personal File for those important papers you always need at your finger tips!

#### The AUTOMATIC

### EXECUTIVE FILE

was designed for desk-side use of executives and business men.

It is the PERFECT work organizer and personal file. Will keep your desk clear and your mind free.



A special index is available—it's the Automatic Personal Efficiency Set—and is especially suited to the needs of credit men.

The Efficiency and Beauty of the Executive File make it the Ideal

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Complete Information Free

**AUTOMATIC FILE & INDEX CO.**  
629 W. Washington Blvd.  
Dept. 880 Chicago, Illinois



## Research In Retail Credit

(Continued from page 27.)

fill out forms regarding the trends in their business. Because of this fact, the number of cities reporting on these subjects has decreased somewhat during the past two years.

While we believe that those who fill out questionnaires do so to the best of their ability, we have no way of knowing that this is the case. This means then that extreme care must be taken when compiling data from secondary sources. Some of the most valuable studies have been made through the employment of skilled interviews and personal investigations. The effectiveness of studies made through the employment of this method depends entirely upon the training and experience of the investigator while the value of studies made through the use of questionnaires depends entirely upon the truthfulness of the replies.

### Value of Credit Research

Many leaders in the retail credit field recognize the value of research and as time goes on we find that more and more credit executives are becoming interested in securing information that will help increase charge business or effect economies in their stores. Research in this field is comparatively new and there are many opportunities for additional studies at this time. Lack of adequate finances and qualified research men are the two main factors that are retarding work in this field.

Our Research Division, as I have said before, simply gathers certain types of unbiased information at the request of its members. We have no way of compelling anyone to use the information once it is compiled by our Division. We do know, however, that all information which emanates from this Division is compiled in an unbiased manner and we believe it can be relied upon. We do not consider ourselves as doctors for any sickness that might affect retail credit and at no time will we ever make any attempt to tell anyone how to run his business.

### Straight Thinking in Credit Business

I have made an attempt to show you the value of research to retail credit, by telling you what it is—who does it—and I have also referred to some of the studies which have been made. In reality it amounts to this:

In endeavoring to reduce the job of straight thinking in credit business to a few simple chronological steps, our best cue comes from the scientific laboratory. Most of us are probably familiar with the traditional four-step reasoning usually employed by those who work in laboratories.

Step No. 1: Some kind of observation suggests an unanswered question or problem. For example, suppose the manager of your store says to you: "A liberal credit policy tends to increase our sales in a profitable way—now what plan for the expansion should we adopt?"

The problem is then defined and possible solutions considered, which is step No. 2. You then ask yourself questions along this line:

(A) What credit service is asked for by those classes of people with whom I am attempting to do business?

(B) What credit service is best suited to the customers of my store according to their capacity to pay?

(C) What kind of credit service may be considered a prerequisite to the successful sale of the various kinds of merchandise I am attempting to sell?

(D) What kind of credit service is my competitor extending to the same classes of people I am attempting to sell?

Step No. 3 is the gathering of information and the making of observations. Here is where credit research steps in. It helps by gathering the necessary information. Conclusions are then drawn based on the information gathered, which is, of course, step No. 4.

### Research Not Free From Abuse

Research, like most useful activities, is not free from abuse. In the name of science, many investigations are made which lead to findings which are without value. This may be due to the fact that the findings, although true, have no utility, or due to the fact that the findings, because of the methods by which they are reached, are not reliable. Research of the former type cannot be wholly avoided. It is impossible to determine in advance of an experiment or study what it will reveal and it is often difficult to determine the value of findings after they are known. The value of particular findings may consist of establishing their unimportance and thus narrowing the field of future research. It is possible to form a rational judgment as to whether a projected study has potential value, but since all rational judgments are predicated upon past experience and existing knowledge, the most valuable type of research may, at the outset, appear useless because of the absence of the knowledge which investigation may reveal. For this reason, a project should not be condemned merely because its value is not apparent. At most, one can only assume the possible results and endeavor to determine the probability of particular results, and upon the basis of probabilities decide whether the study justifies the cost in money, time, and labor. A considerable amount of fruitless research is inevitable in the quest for new knowledge that has value.

### Sound Credit Principles and Practices

Our Association believes that there are sound principles and practices upon which any credit business must operate in order to make a fair profit. We have gathered in our Research Division, since 1934—the year in which the Research Division was reorganized—sufficient information to conclude that the following factors must be recognized as the underlying basis for a sound and practical retail credit policy for any store. Such a sound policy stipulates:

1. A reasonable down payment should be required on all merchandise sold on installments.
2. The carrying charge on installment sales should be large enough to meet the cost of handling so that none of the extra cost, if any, is passed onto the "monthly charge" customer. (To date, one-half of one per cent per month on the outstanding balance has been found to be sufficient in many stores.)
3. A carrying charge of one-half of one per cent per month to be placed on all monthly accounts not paid within 60 days from due date (first of month following purchase), such carrying charge to be computed on the end-of-the-month balance.
4. Terms should not extend beyond the depreciation value of the merchandise.
5. Credit customers should not be allowed to obligate themselves beyond their capacity to pay. In other words, assuming that a person is able to maintain a steady income and encounters no unforeseen financial emergencies, he should be able to liquidate his obligations according to agreement.
6. A credit bureau report should be secured on all applications for credit.

## "So, You Are Going Into Bankruptcy?"

(Continued from page 5.)

illness, and he suddenly became subjected to doctor and hospital bills. The creditors agreed to the allowance of additional time to meet these emergencies. His doctor, upon hearing of his plight, consented to accepting small payments from time to time on his account. Eventually the plan in its original form was restored, and over a period of time Brown's debts were fully amortized.

There are thousands of "Browns" in the United States who are amenable to varying degrees of treatment such as has been illustrated. If credit men are alert to these opportunities, many bankruptcies will be prevented, and they will be performing a service not only to their firms, but to the general public. The new Bankruptcy Act will work only in proportion to the interest that the credit granters of the nation take in the philosophy of the Act, and their continued and active participation in all matters contemplated to be treated with under the Act.

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## Pittsburgh Association Elects

At the regular October meeting of the Retail Credit Association of Pittsburgh, held in McCann's, October 10, the speaker of the evening was Fred W. Walter of the Bailey Company, Cleveland, Ohio. Mr. Walter gave an interesting address on developments in credit and collection business.

Following his address, the annual election was held, the following being named as officers:

President, H. W. Leonard, Joseph Horne Co.; First Vice-President, A. C. Dunn, John M. Roberts Co.; Second Vice-President, J. A. Brown, J. R. Weldin Co.; Third Vice-President, R. W. Sloan, Reymer & Brothers; Secretary, C. Guy Ferguson, The Credit Bureau, Inc.; and Treasurer, W. E. Morgan, C. A. Verner Co.

The following were added to the Board of Directors: A. S. Kerby, Hardy & Hayes Company; Harry J. Schreiber, Sears, Roebuck & Co.; and W. J. Smith, Half Bros. —*Bulletin of The Credit Bureau, Inc., Pittsburgh, Pa.*

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## Morris Plan Bankers Elect

The Morris Plan Bankers Association, in convention at White Sulphur Springs, West Virginia, elected Harry E. Small, Vice-President and Secretary of the Morris Plan Bank of Cleveland, to the Presidency of the Association for the forthcoming year.

Other officers elected were L. D. Lacy of Oklahoma City, First Vice-President; and Horace D. McCowan of Worcester, Mass., Second Vice-President.

Mr. Small succeeds Ralph W. Pitman of Richmond and Philadelphia, who has been President of the Association for the past three years.

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## New Officers Elected at Lincoln

The following new officers of the Lincoln Retail Credit Association, Lincoln, Neb., were elected at a meeting held October 11: President, H. S. Oxley, Hovland-Swanson Co.; Vice-President, C. W. Battey, Continental National Bank; and Secretary-Treasurer, C. W. Hyland, Landy Clark Co. Iva Riesland was elected as Director for one year and Henry Crane as Director for two years.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION,  
ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24,  
1912, AND MARCH 3, 1933.

Of CREDIT WORLD, published monthly at St. Louis, Mo., for October 1, 1938.

State of Missouri } ss.  
City of St. Louis } ss.

Before me, a Notary in and for the State and county aforesaid, personally appeared Lindley S. Crowder, who, having been duly sworn according to law, deposes and says that he is the Editor of The CREDIT WORLD, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business manager are:  
Publisher, National Retail Credit Association \_\_\_\_\_ St. Louis, Mo.  
Editor, Lindley S. Crowder \_\_\_\_\_ St. Louis, Mo.  
Managing Editor, Daniel J. Hannefin \_\_\_\_\_ St. Louis, Mo.  
Business Manager, Arthur H. Hert \_\_\_\_\_ St. Louis, Mo.

2. That the owner is: National Retail Credit Association, 1218 Olive Street, St. Louis, Mo. Leo M. Karpeles, President, c/o Burger-Phillips Co., Birmingham, Ala.; Robert A. Ross, First Vice-President, c/o Neiman-Marcus, Dallas, Texas; Erwin Kant, Second Vice-President, c/o Ed. Schuster & Company, Milwaukee, Wis.; L. S. Crowder, Manager-Treasurer, 1218 Olive Street, St. Louis, Mo.; Arthur H. Hert, Secretary, 1218 Olive Street, St. Louis, Mo. No stock. Official organ of the National Retail Credit Association.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of the total amount of bonds, mortgages, or other securities are: None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing all knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

L. S. CROWDER, Editor.

Sworn to and subscribed before me this 13th day of October, 1938.

Mary E. Riordan.

(My commission expires May 5, 1941.)

## Speed Up Your Collections

(with these 288 proven collection plans and schemes)

## Cut Your Office Overhead

(with these 42 tried and tested office short cuts)

## Locate Your Skips

(with these 51 tracing tricks)

All of the above are found in

"PROVEN PLANS TO SPEED COLLECTIONS AND TIMELY TIPS TO TRIM OFFICE OVERHEAD" by David Morantz, president, Retail Credit Association, Kansas City, Kansas, with a record of 25 years' experience in collecting money and retaining good will.

In addition, it contains 470 collection paragraphs, classified according to appeals to pride, fear, sense of fairness, etc., and numbered for convenient use—including 147 attention-getting collection letter openers and 204 successful coin-coaxing closers; 10 ways to use the telephone to improve collections; 4 ways to locate debtor's job; an effective plan to collect from farmers; how to get the money on bad checks; and a wealth of other material along the same line.

This is all contained in a Letter and Paragraph book (loose leaf) with full instructions on how to use it, as well as a unique Supplement and Idea File providing a convenient place for your new ideas, clippings, etc.

This wealth of tested, successful, cash-producing collection and time-, labor-, and postage-saving ideas, plans and letters is yours at the unbelievably low price of \$5.00.

The sooner you send for it, the sooner you can start using it in your business to speed up your collections, cut your overhead and locate your skips.

National Retail Credit Association  
1218 Olive St. St. Louis, Mo.

# Three New "Pay Promptly" Inserts

(Reproductions of our "Pay Promptly" Ads)

Can be used as statement enclosures; also with collection letters. Actual size, 4 1/4" x 6 1/4"; furnished folded to 4 1/4" x 3 1/8" (as shown below) to fit statement envelopes.

Their use is recommended to members of local associations now using our "Pay Promptly" ads. Use them as a direct "tie-up" with the ads.

Price, \$2.50 per thousand, postpaid.

## Your Credit Record Is An Open Book



## Friends Talk About "Q.C."\* Too!



\*"Q. C." means Questionable Credit. The result of failure to pay bills promptly — as agreed.

CREDIT is a privilege—a convenience—extended upon the merchant's or professional man's confidence that when bills are rendered, they will be paid promptly, according to terms or agreement.

Pave each bill promptly and you establish a "Prompt Pay" record in the files of the Credit Bureau which, like money in the bank, will grow in value. For promptness in paying makes your credit good—and keeps it good.

Safeguard your credit! Pay all bills by the 10th — or promptly as agreed.

MEMBER



National Retail Credit Association

SAINT LOUIS

1927 NATIONAL RETAIL CREDIT ASSOCIATION

PRINTED IN U. S. A.

But — failure to pay bills on time, through neglect or carelessness, can only establish a reputation for Questionable Credit ("Q. C.") and cause embarrassment — so your creditor just as much as to you. For no one likes asking for payment—even when it's past due.

The remedy for "Q. C." is simple: Bills are due on the first of the month following purchase and past due after the 10th.

## Use Your Credit Judiciously Buy Prudently—Pay Promptly

PAYING bills is a matter of promptness—and understanding—just as much as it is of honesty. For most people are honest, but many are careless.

They neglect payment of their bills and unwittingly build a reputation for "Q. C."—Questionable Credit—with all its recurring embarrassments: phone calls, collectors' calls, neighbors' gossip.

Safeguard your credit! Pay all bills by the 10th—or promptly as agreed.

Merchants and professional men are glad to extend the convenience of credit to their patrons. But they expect to be paid, just as they must pay their own bills, according to agreement.

Phone calls and collectors' calls cost them money—needless expense to collect what is due them. That's why they welcome the patronage of those who pay promptly!

## Your Credit Record Is An Open Book



### And You Are The Author!

By the Way You Pay, You Write Your Own Record on a Little Card In the Files of the Credit Bureau.

YOUR credit record is of your own making. The Credit Bureau only keeps the record! Shown in the inset above is an actual credit record (with the customer's name and address omitted). It shows how that customer has paid his accounts—as truly as if he had written the record in his own book!

Millions of records like this, in the files of the credit bureaus of the United States and Canada, form the basis of credit reports—used by creditors and employers to judge the trustworthiness of individuals.

Prompt Payments Make a Good Credit Record — And Keep It "O. K."

MEMBER



National Retail Credit Association

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